

TIVO INC
Form 10-K/A
August 25, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K/A
Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 31, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

Commission file number 000-27141

TIVO INC.

(Exact name of registrant as specified in its charter)

Delaware 77-0463167
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

2160 Gold Street, PO Box 2160, Alviso, CA 95002
(Address of principal executive offices) (Zip Code)

(408) 519-9100
(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:
NONE

Securities registered pursuant to Section 12(g) of the Act:
COMMON STOCK, \$.001 PAR VALUE PER SHARE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x

No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Edgar Filing: TIVO INC - Form 10-K/A

See definitions of “accelerated filer”, “large accelerated filer”, and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes
No

The aggregate market value of the registrant’s common stock, \$0.001 par value per share, held by non-affiliates of the registrant on July 31, 2010, the last business day of the registrant’s most recently completed second fiscal quarter, was approximately \$965.9 million (based on the closing sales price of the registrant’s common stock on that date as reported in the Nasdaq Global Market). Shares of the registrant’s common stock held by each officer and director and each person that controls, is controlled by or is under common control of the registrant have been excluded in that such persons may be deemed to be affiliates. This calculation does not exclude shares held by such organizations whose ownership exceeds 5% of the registrant’s outstanding common stock that the registrant believes are registered investment advisers or investment companies registered under section 8 of the Investment Company Act of 1940. This determination of affiliate status is not a determination for other purposes.

On February 28, 2011, the Registrant had 119,228,227 outstanding shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference certain information from the registrant’s definitive proxy statement (the “Proxy Statement”) for the 2011 Annual Meeting of Shareholders to be filed on or before May 31, 2011.

Explanatory Note

TiVo Inc. (the “Company”) is filing this Amendment No. 1 (this “Amendment”) to its Annual Report on Form 10-K for the fiscal year ended January 31, 2011 (the “Form 10-K”) solely to remove the appearance of the word “unaudited” which originally appeared on page 73 under the heading entitled “TiVo Inc. Consolidated Statement of Cash Flows” and on page 74 under the heading entitled “TiVo Inc. Notes to Consolidated Financial Statements” of the Company's Form 10-K in error. This Amendment does not otherwise amend or change any numerical entries or otherwise affect the Company's financial statements in the Form 10-K. No other changes have been made to the Form 10-K.

This Amendment does not reflect events occurring after the filing of the Form 10-K, does not update disclosures contained in the Form 10-K and does not modify or amend the Form 10-K except as specifically described above. This Amendment contains the complete text of Item 8. Financial Statements and currently dated certifications of the Company's Principal Executive Officer and Principal Financial Officer pursuant to Rule 12b-15 of the Securities Exchange Act of 1934, as amended.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's consolidated financial statements and notes thereto appear on pages 7 - 43 of this annual report on Form 10-K/A. The unaudited quarterly results of our consolidated operations for our two most recent fiscal years are incorporated herein by reference under Item 6. "Selected Financial Data."

Index to Consolidated Financial Statements

<u>Reports of Independent Registered Public Accounting Firm</u>	<u>5</u>
<u>Consolidated Balance Sheets</u>	<u>7</u>
<u>Consolidated Statements of Operations</u>	<u>8</u>
<u>Consolidated Statements of Stockholders' Equity and Comprehensive Income/Loss</u>	<u>9</u>
<u>Consolidated Statements of Cash Flows</u>	<u>10</u>
<u>Notes to Consolidated Financial Statements</u>	<u>11</u>

Report of Independent Registered Public Accounting Firm
The Directors and Stockholders
TiVo Inc.:

We have audited the accompanying consolidated balance sheets of TiVo Inc. and subsidiaries as of January 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and comprehensive income/loss, and cash flows for each of the years in the three-year period ended January 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TiVo Inc. and subsidiaries as of January 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended January 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of January 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 11, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP
Mountain View, California
March 11, 2011

Report of Independent Registered Public Accounting Firm
The Directors and Stockholders

TiVo Inc.:

We have audited TiVo Inc. and subsidiaries' (the Company) internal control over financial reporting as of January 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting included in Item 9A(c). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, TiVo Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of January 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of TiVo Inc. and subsidiaries as of January 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and comprehensive income/loss, and cash flows for each of the years in the three-year period ended January 31, 2011, and our report dated March 11, 2011 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
Mountain View, California
March 11, 2011

TIVO INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share and share amounts)

	January 31, 2011	January 31, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$71,221	\$70,891
Short-term investments	138,216	173,691
Accounts receivable, net of allowance for doubtful accounts of \$275 and \$409	16,011	16,996
Inventories	13,228	12,110
Deferred cost of technology revenues, current	13,760	441
Prepaid expenses and other, current	6,983	8,245
Total current assets	259,419	282,374
LONG-TERM ASSETS		
Property and equipment, net of accumulated depreciation of \$44,682 and \$40,934, respectively	10,229	10,098
Purchased technology, capitalized software, and intangible assets, net of accumulated amortization of \$15,110 and \$12,501, respectively	6,956	9,565
Deferred cost of technology revenues, long-term	2,100	—
Prepaid expenses and other, long-term	1,224	1,263
Long-term investments	5,890	7,512
Total long-term assets	26,399	28,438
Total assets	\$285,818	\$310,812
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$18,052	\$20,712
Accrued liabilities	30,115	24,786
Deferred revenue, current	33,792	38,952
Total current liabilities	81,959	84,450
LONG-TERM LIABILITIES		
Deferred revenue, long-term	34,857	28,990
Deferred rent and other long-term liabilities	246	231
Total long-term liabilities	35,103	29,221
Total liabilities	117,062	113,671
COMMITMENTS AND CONTINGENCIES (see Note 10)		
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$0.001: Authorized shares are 10,000,000; Issued and outstanding shares - none	—	—
Common stock, par value \$0.001: Authorized shares are 275,000,000; Issued shares are 117,420,874 and 110,434,022, respectively and outstanding shares are 116,475,318 and 109,869,062, respectively	117	110
Treasury stock, at cost - 945,556 shares and 564,960 shares, respectively	(8,660	) (4,325
Additional paid-in capital	956,947	896,695
Accumulated deficit	(779,225	) (694,713
Accumulated other comprehensive loss	(423	) (626
Total stockholders' equity	168,756	197,141
Total liabilities and stockholders' equity	\$285,818	\$310,812

The accompanying notes are an integral part of these consolidated financial statements.

TIVO INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share and share amounts)

	Fiscal Year ended January 31,		
	2011	2010	2009
Revenues			
Service revenues	\$140,649	\$159,772	188,408
Technology revenues	27,341	29,907	20,126
Hardware revenues	51,618	48,787	41,652
Net revenues	219,608	238,466	250,186
Cost of revenues			
Cost of service revenues	40,515	40,878	44,603
Cost of technology revenues	18,813	20,703	12,300
Cost of hardware revenues	69,033	65,909	57,742
Total cost of revenues	128,361	127,490	114,645
Gross margin	91,247	110,976	135,541
Research and development	81,604	63,039	62,083
Sales and marketing	27,587	23,270	24,944
Sales and marketing, subscription acquisition costs	8,169	5,048	6,038
General and administrative	59,487	44,801	42,931
Litigation Proceeds	—	—	(87,811)
Total operating expenses	176,847	136,158	48,185
Income (loss) from operations	(85,600)	(25,182)	87,356
Interest income	1,397	1,039	18,636
Interest expense and other income (expense)	(145)	83	(553)
Income (loss) before income taxes	(84,348)	(24,060)	105,439
Benefit from (provision for) income taxes	(164)	1,024	(1,328)
Net income (loss)	\$(84,512)	\$(23,036)	104,111
Net income (loss) per common share - basic	\$(0.74)	\$(0.22)	\$1.04
Net income (loss) per common share - diluted	\$(0.74)	\$(0.22)	\$1.01
Weighted average common shares used to calculate basic net income (loss) per share	113,490,177	106,182,488	100,389,980
Weighted average common shares used to calculate diluted net income (loss) per share	113,490,177	106,182,488	102,595,607

The accompanying notes are an integral part of these consolidated financial statements.

TIVO INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME(LOSS)

(In thousands, except share amounts)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other comprehensive loss	Total
	Shares	Amount	Shares	Amount				
BALANCE JANUARY 31, 2008	100,098,426	\$ 100	(127,479)	\$(846)	\$792,654	\$(775,788)	\$ —	\$16,120
Issuance of common stock related to exercise of common stock options	1,774,490	2	—	—	9,238	—	—	9,240
Issuance of common stock related to employee stock purchase plan	610,241	1	—	—	3,962	—	—	3,963
Issuance of restricted shares of common stock	1,264,807	1	—	—	(1)	—	—	—
Retirement due to forfeiture of unvested restricted shares	(143,949)	—	—	—	—	—	—	—
Treasury Stock - repurchase of restricted stock for tax withholding	—	—	(106,013)	(813)	—	—	—	(813)
Recognition of stock based compensation	—	—	—	—	23,420	—	—	23,420
Net income	—	—	—	—	—	104,111	—	104,111
Unrealized loss on marketable securities	—	—	—	—	—	—	(1,035)	(1,035)
Comprehensive income								103,076
BALANCE JANUARY 31, 2009	103,604,015	\$ 104	(233,492)	\$(1,659)	\$829,273	\$(671,677)	\$(1,035)	\$155,006
Issuance of common stock related to exercise of common stock options	6,195,101	6	—	—	37,952	—	—	37,958
Issuance of common stock related to employee stock purchase plan	663,127	—	—	—	4,116	—	—	4,116
Issuance of restricted shares of common stock	41,100	—	—	—	—	—	—	—
Retirement due to forfeiture of unvested restricted shares	(69,321)	—	—	—	—	—	—	—
Treasury Stock - repurchase of restricted stock for tax withholding	—	—	(331,468)	(2,666)	—	—	—	(2,666)
Recognition of stock based compensation	—	—	—	—	25,354	—	—	25,354
Net loss	—	—	—	—	—	(23,036)	—	(23,036)
Unrealized gain on marketable securities	—	—	—	—	—	—	409	409
Comprehensive loss								(22,627)
	110,434,022	\$ 110	(564,960)	\$(4,325)	\$896,695	\$(694,713)	\$(626)	\$197,141

Edgar Filing: TIVO INC - Form 10-K/A

BALANCE JANUARY 31, 2010								
Issuance of common stock related to exercise of common stock options	4,319,165	4	—	—	30,466	—	—	30,470
Issuance of common stock related to employee stock purchase plan	642,725	1	—	—	4,059	—	—	4,060
Issuance of restricted shares of common stock	2,122,111	2	—	—	(2)—	—	—
Retirement due to forfeiture of unvested restricted shares	(97,149)—	—	—	—	—	—	—
Treasury Stock - repurchase of restricted stock for tax withholding	—	—	(380,596)	(4,335	)—	—	—	(4,335)
Recognition of stock based compensation	—	—	—	—	25,729	—	—	25,729
Net loss	—	—	—	—	—	(84,512	)—	(84,512)
Unrealized gain on marketable securities	—	—	—	—	—	—	203	203
Comprehensive loss								(84,309)
BALANCE JANUARY 31, 2011	117,420,874	\$ 117	(945,556)	\$(8,660)	\$956,947	\$(779,225)	\$(423	) \$168,756

The accompanying notes are an integral part of these consolidated financial statements.

TIVO INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year ended January 31,		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$(84,512)	\$(23,036)	104,111
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization of property and equipment and intangibles	9,050	9,160	9,783
Loss on disposal of fixed assets	42	—	—
Stock-based compensation expense	25,442	25,354	23,420
Amortization of discounts and premiums on investments	1,768	—	—
Inventory write-down	525	—	—
Utilization of trade credits	96	90	638
Allowance for doubtful accounts	259	(7)	471
Changes in assets and liabilities:			
Accounts receivable	726	(2,706)	5,265
Inventories	(1,643)	917	4,721
Deferred cost of technology revenues	(15,132)	(138)	(303)
Prepaid expenses and other	1,205	(3,218)	(1,713)
Accounts payable	(2,604)	11,454	(14,623)
Accrued liabilities	5,329	(220)	(4,530)
Deferred revenue	707	(8,175)	(21,352)
Deferred rent and other long-term liabilities	15	105	(183)
Net cash provided by (used in) operating activities	\$(58,727)	\$9,580	105,705
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of short-term investments	(161,949)	(309,370)	(49,976)
Sales or maturities of long-term and short-term investments	197,481	180,911	20,300
Purchase of long-term investment	—	(3,400)	—
Acquisition of property and equipment	(6,670)	(6,496)	(4,549)
Acquisition of capitalized software and intangibles	—	(2,031)	(319)
Net cash provided by (used in) investing activities	\$28,862	\$(140,386)	(34,544)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock related to exercise of common stock options	30,470	37,958	9,240
Proceeds from issuance of common stock related to employee stock purchase plan	4,060	4,116	3,963
Treasury stock - repurchase of stock for tax withholding	(4,335)	(2,666)	(813)
Payment under capital lease obligation	—	(48)	(26)
Net cash provided by financing activities	\$30,195	\$39,360	12,364
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$330	\$(91,446)	83,525
CASH AND CASH EQUIVALENTS:			
Balance at beginning of period	70,891	162,337	78,812
Balance at end of period	\$71,221	\$70,891	162,337
SUPPLEMENTAL DISCLOSURE OF CASH AND NON-CASH FLOW INFORMATION			
Cash paid for interest	\$1	\$1	\$53
Cash paid(received) for income taxes	(1,101)	(901)	2,037

SUPPLEMENTAL DISCLOSURE OF OTHER NON-CASH INVESTING AND
FINANCING INFORMATION

Assets acquired under capital lease — — 74

The accompanying notes are an integral part of these consolidated financial statements.

TIVO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

TiVo Inc. (together with its subsidiaries “the Company” or “TiVo”) was incorporated in August 1997 as a Delaware corporation and is located in Alviso, California. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. The Company conducts its operations through one reportable segment.

The Company is subject to a number of risks, including delays in product and service developments; competitive service offerings; lack of market acceptance; uncertainty of future profitability; the dependence on third parties for manufacturing, marketing, and sales support, as well as third-party rollout schedules, software development issues for third-party products which contain its technology; intellectual property claims by and against the Company; access to television programming including digital cable signals in connection with CableCARD and switched digital technologies; dependence on its relationships with third-party service providers such as DIRECTV, RCN, Suddenlink, Charter, ONO and Virgin Media (U.K.) for subscription growth; and the Company’s ability to sustain and grow its subscription base. The Company anticipates that its business will continue to be seasonal and expects to generate a significant portion of its new subscriptions during and immediately after the holiday shopping season. However, as a result of the continued national and global economic downturn and overall consumer spending decline, the Company is cautious about its subscription growth in the near term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

During the year ended January 31, 2011, the Company determined that it had been overpaying revenue share to its partners in fiscal years 2009 and 2010 as a result of an error identified in reports used to calculate the revenue share amounts. The impact of the adjustment in the previous periods has resulted in an increase in hardware revenues for the fiscal year ended January 31, 2010 and 2009 of \$880,000 and \$519,000, respectively, with a corresponding increase in prepaid expenses for estimated amounts that the Company ultimately expects to be able to recover from its partners. As future events and their effects cannot be determined with precision, actual recoveries could differ from this estimate.

The Company has also corrected an immaterial error in its statement of cash flows for the year ended January 31, 2010 which resulted in an increase in net cash provided (used in) operating activities of \$1.2 million with a corresponding offset in net cash provided by (used in) investing activities.

Management concluded that these errors were immaterial to the fiscal years 2009 and 2010 consolidated financial statements, but that its correction in the current year would be significant. Accordingly, pursuant to Staff Accounting Bulletin No. 108 (SAB 108), “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements,” the consolidated balance sheet as of January 31, 2010 has been revised to reflect the increase of \$1.4 million in prepaid expenses with a corresponding decrease in accumulated deficit.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and judgments affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. On an on-going basis, the Company evaluates its estimates, including those related to estimated lives of product lifetime subscriptions, total estimated cost of engineering service and deployment agreements, allowance for doubtful accounts, product returns, inventories and related reserves, warranty obligations, contingencies, stock compensation, assessment of other-than-temporary impairment of investments, and litigation. The Company bases estimates on historical experience and on other assumptions that its management believes are reasonable under the circumstances. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates will be reflected in the financial statements in future periods.

Cash and Cash Equivalents

The Company considers investments with a maturity of three months or less when purchased to be cash equivalents. The majority of payments due from banks for third-party credit card, debit card, and electronic benefit

transactions (“EBT”) process within 24-72 hours, except for transactions occurring on a Friday, which are generally processed the following Monday. All credit card, debit card, and EBT transactions that process in less than three days are classified as cash and cash equivalents. Amounts due from banks for these transactions classified as cash totaled \$1.8 million and \$2.2 million at January 31, 2011 and 2010, respectively.

Short-term and long-term Investments

Short-term and long-term investments are classified as available-for-sale and are carried at fair value. The Company’s short-term and long-term investments are reviewed each reporting period for declines in value that are considered to be other-than temporary and, if appropriate, the investments are written down to their estimated fair value. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in the Company’s consolidated statements of operations. Unrealized gains and unrealized losses deemed temporary are included in accumulated other comprehensive income (loss). The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income in the consolidated statements of operations.

Receivables

Accounts receivable consist primarily of receivables from retailers, cable and satellite companies, as well as individual consumers and relate to our subscription, technology, and hardware revenues. Additionally, amounts due from banks for customer credit card, debit card and EBT transactions that take in excess of three days to process are classified as accounts receivable. As of January 31, 2011, the Company had approximately \$173,000 of unbilled accounts receivable related to long-term development contracts.

Allowance for doubtful accounts

TiVo maintains an allowance for doubtful accounts to reserve for potentially uncollectible trade receivables. The Company reviews its trade receivable by aging category to identify significant customers with known disputes or collection issues. For accounts not specifically identified, the Company provides allowances based on the age of the receivable. In determining the allowance, the Company makes judgments about the credit-worthiness of significant customers based on ongoing credit evaluations. TiVo also considers its historical level of credit losses and current economic trends that might impact the level of future credit losses.

	Beginning Balance	Charged to Operating Expenses	Deductions/Additions (*)	Ending Balance
	(in thousands)			
Allowance for doubtful accounts:				
Fiscal year ended:				
January 31, 2011	\$409	\$ 259	\$ (393)	) \$ 275
January 31, 2010	\$770	\$ (7)	) \$ (354)	) \$ 409
January 31, 2009	\$1,194	\$ 471	\$ (895)	) \$ 770

(*) Deductions/additions related to the allowance for doubtful accounts represent amounts written off against the allowance, less recoveries.

Inventories and Inventory Valuation

Inventories consist primarily of finished DVR units and accessories and are stated at the lower of cost or market on an aggregate basis, with cost determined using the first-in, first-out method. The Company performs a detailed assessment of excess and obsolete inventory and purchase commitments at each balance sheet date, which includes a review of, among other factors, demand requirements and market conditions. Based on this analysis, the Company records adjustments, when appropriate, to reflect inventory of finished products and materials on hand at lower of cost or market and to reserve for products and materials which are not forecasted to be used in future production. During the quarter ended July 31, 2007, the Company recorded an impairment charge of \$11.2 million to cost of hardware revenues for inventory on hand and for excess non-cancelable purchase commitments. Subsequently, actual sales of the Company’s standard definition DVRs have exceeded original projections due to changing market conditions. As a result, during the years ended January 31, 2009, 2010, and 2011, the Company’s gross margin was positively impacted by \$4.9 million, \$1.5 million, and \$660,000, respectively, from the sale of inventory that was previously impaired in fiscal years 2007 and 2008 as excess and obsolete inventory and

excess non-cancelable purchase commitments. As of January 31, 2011, the Company maintained a \$365,000 inventory reserve as a result of inventory impairment charges. Even if our current sales projections exceed our original projections, the inventory reserves are not reversed until the previously impaired inventory is sold or scrapped.

Property and Equipment

Property and equipment are stated at cost less depreciation. Maintenance and repair expenditures are expensed as incurred.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Furniture and fixture	3-5 years
Computer and office equipment	3-5 years
Lab equipment	3 years
Leasehold improvements	The shorter of 7 years or the term of the lease
Capitalized software for internal use	1-5 years

Capitalized Software

Software development costs are capitalized when a product’s technological feasibility has been established by completion of a working model of the product and amortization begins when a product is available for general release to customers. The period between the development of a working model and the release of the final product to customers is short, and, therefore, the development costs incurred during this short period are immaterial and, as such, are not capitalized.

Software development costs incurred as part of an approved project plan that result in additional functionality to internal use software are capitalized and amortized on a straight-line basis over the estimated useful life of the software, between one and five years.

Intangible Assets

Purchased intangible assets include intellectual property such as patent rights which are carried at cost less accumulated amortization. Useful lives generally range from five to seven years.

Sales Taxes

The Company accounts for sales taxes imposed on its goods and services on a net basis in the consolidated statement of operations.

Revenue Recognition and Deferred Revenue

The Company generates service revenues from fees for providing the TiVo service to consumers and through the sale of advertising and audience research measurement services. The Company also generates technology revenues from licensing technology and by providing engineering professional services. In addition, the Company generates hardware revenues from the sale of hardware products that enable the TiVo service.

Service Revenues. Included in service revenues are revenues from recurring and prepaid subscription plans to the TiVo service and fees received from the sale of advertising and audience research measurement services. Monthly and prepaid fixed-length subscription revenues are recognized ratably over the period the service is provided. Subscription revenues from product lifetime subscriptions are recognized ratably over the Company’s estimate of the useful life of a TiVo-enabled DVR associated with the subscription. Effective November 1, 2008, the Company extended the period it uses to recognize product lifetime subscription revenues from 54 months to 60 months for the product lifetime subscriptions acquired on or before October 31, 2007 and such change is being recognized on a prospective basis with no adjustment to previously recognized revenues. The new estimates of expected lives are dependent on assumptions with regard to future churn of the product lifetime subscriptions. The Company will continue to monitor the useful life of a TiVo-enabled DVR and the impact of the differences between actual churn and forecasted churn rates. If subsequent actual experience is not in line with the Company’s current assumptions, including higher churn of product lifetime subscriptions due to the incompatibility of its standard definition TiVo units with high definition programming and increased competition, the Company may revise the estimated life which could result in the recognition of revenues from this source over a longer or shorter period.

End users have the right to cancel their subscription within 30 days of subscription activation for a full refund. TiVo establishes allowances for expected subscription cancellations.

Also included in service revenues are fees received from multiple system operators (“MSO”s), such as Comcast, DIRECTV, and Seven/Hybrid TV, as well as other service providers for provision of the TiVo service that are recognized as services are provided. When applicable, a percentage of such fees is deferred and recognized as technology revenues when development services are provided or as service revenues when the right to use these deferred fees is forfeited.

Technology Revenues. The Company recognizes technology revenues under technology licensing and engineering services agreements dependent upon the type of arrangement. In instances where TiVo hosts the TiVo service, the Company determines whether evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collection is probable. Revenue recognition is deferred until such time as all of the criteria are met. Elements included in the Company’s arrangements may include technology licenses and associated maintenance and support, engineering services and other services. Vendor specific objective evidence (“VSOE”) or verifiable objective evidence (“VOE”) of fair value, respectively, is required for all undelivered elements in order to recognize revenue related to the delivered element. The timing of revenue recognition related to these transactions will depend, in part, on whether the Company can establish VSOE or VOE for undelivered elements and on how these transactions are structured. As such, revenue recognition may not correspond to the timing of related cash flows or the Company’s work effort. The Company has established VSOE of fair value for engineering services based on hourly rates charged for engineering services sold on a standalone basis.

In arrangements which include engineering services that are essential to the functionality of the licensed technology or involve significant customization or modification of the software, the Company recognizes revenue using the percentage-of-completion method, if the Company believes it is able to make reasonably dependable estimates of the extent of progress toward completion. The Company measures progress toward completion using an input method based on the ratio of costs incurred, principally labor, to date to total estimated costs of the project. These estimates are assessed continually during the term of the contract, and revisions are reflected when the changed conditions become known.

In some cases, it may not be possible to separate the various elements within the arrangement due to a lack of VSOE or VOE for undelivered elements in the contract or because of the lack of reasonably dependable estimates of total costs. In these situations, provided that the Company is reasonably assured that no loss will be incurred under the arrangement, the Company recognizes revenues and costs based on a zero profit model, which results in the recognition of equal amounts of revenues and costs, until the engineering professional services are complete. Costs incurred in excess of revenues are deferred up to the amount deemed recoverable. Thereafter, any profit from the engineering professional services is recognized over the period of the maintenance and support or other services that are provided, whichever is longer. If the Company cannot be reasonably assured that no loss will be incurred under the arrangement, the Company will account for the arrangement under the completed contract method, which results in a full deferral of the revenue and costs until the project is complete.

For all arrangements, provisions for losses are recorded when estimates indicate that a loss will be incurred on the contract.

As of January 31, 2011, TiVo had \$13.8 million and \$2.1 million of deferred costs related to development agreements and is classified on its consolidated balance sheets as deferred costs of technology revenues, current and deferred costs of technology revenues, long term, respectively. For the fiscal year ended January 31, 2010 TiVo had \$441,000 of deferred costs classified on its consolidated balance sheets as deferred costs of technology revenues, current.

Hardware Revenues. Revenues are recognized upon product shipment to the customers or receipt of the products by the customer, depending on the shipping terms, provided that all fees are fixed or determinable, evidence of an arrangement exists and collectibility is reasonably assured. End users have the right to return their product within 30 days of the purchase. TiVo establishes allowances for expected product and service returns and these allowances are recorded as a direct reduction of revenues and accounts receivable.

Edgar Filing: TIVO INC - Form 10-K/A

	Beginning Balance	Charged to Revenue	Deductions (*)	Ending Balance
	(in thousands)			
Allowance for expected product and service returns:				
Fiscal year ended:				
January 31, 2011	\$1,174	\$4,737	\$(4,189)	\$1,722
January 31, 2010	\$965	\$5,412	\$(5,203)	\$1,174
January 31, 2009	\$2,193	\$5,046	\$(6,274)	\$965

(*) Deductions related to the allowance for expected product and service returns represent amounts written off against the allowance.

Certain payments to retailers and distributors such as market development funds and revenue share are recorded as a reduction of hardware revenues rather than as a sales and marketing expense. TiVo's policy for revenue share payments is to reduce revenue when these payments are incurred and fixed or determinable. TiVo's policy for market development funds is to reduce revenue at the later of the date at which the related hardware revenue is recognized or the date at which the market development program is offered. The Company also records rebates offered to consumers as a reduction of hardware revenue. In the past, the Company adjusted its rebate liability periodically for changes in redemption rates, changes in duration and amounts of rebate programs and channel inventory quantities subject to such changes. The Company terminated its rebate programs on August 30, 2008.

The Company sells the DVR and service directly to end-users through bundled sales programs through the TiVo website. Under these bundled programs, the customer receives a DVR and commits to a minimum subscription period of one to three years or product lifetime and has the option to either pay a monthly fee over the subscription term (monthly program) or to prepay the subscription fee in advance (prepaid program). After the initial committed subscription term, the customers have various pricing options at which they can renew the subscription. The VOE of fair value of the subscription services is established based on standalone sales of the service and varies by pricing plan. Under these bundled programs, revenue is allocated between hardware revenue for the DVR and service revenue for the subscription using the residual value method, with the DVR revenue recognized upon delivery and the subscription revenue being initially deferred and recognized over the term of the service commitment.

Stock-Based Compensation

The Company has equity incentive plans under which officers, employees, consultants, and non-employee directors may be granted options to purchase shares of the Company's authorized but unissued or reacquired common stock, and may also be granted restricted stock, performance based stock options and other stock awards. Additionally the Company has an Employee Stock Purchase Plan ("ESPP") which officers and employees can participate. Upon the exercise of options, the Company issues new common stock from its authorized shares.

The fair value of TiVo's restricted stock awards is calculated based on the fair market value of the Company's stock at the grant date. The fair value of TiVo's stock options and ESPP awards is estimated using a Black-Scholes option valuation model. TiVo recognizes compensation expense for stock option awards on a straight-line basis over the requisite service period of the award.

Advertising Costs

The Company expenses advertising costs related to its products and service as incurred. Marketing co-op development payments, where the Company receives, or will receive, an identifiable benefit (goods or services) in exchange for the amount paid to its customer, and the Company can reasonably estimate the fair value of the benefit it receives, are classified as marketing expense. For the fiscal years ended January 31, 2011, 2010, and 2009, this amount was immaterial. All other marketing co-op development payments are classified as a reduction of hardware revenues. Advertising expenses were \$3.8 million, \$1.6 million, and \$2.5 million, of sales and marketing, subscription acquisition costs for the fiscal years ended January 31, 2011, 2010, and 2009, respectively. Included in these advertising expenses are \$3.2 million, \$976,000, and \$1.8 million, respectively, related to media placement costs.

Warranty Expense

The Company accrues for the expected material and labor costs required to provide warranty services on its

hardware products. The Company's warranty reserve liability is calculated as the total volume of unit sales over the warranty period, multiplied by the expected rate of warranty returns (based on historical experience) multiplied by the estimated cost to replace or repair the customers' product returns under warranty.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax reporting bases of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Realization of deferred tax assets is dependent upon future earnings, the timing and amount of which are uncertain.

TiVo takes a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon tax authority examination, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

The Company's policy is to include interest and penalties related to unrecognized tax benefits, if any, within the provision for taxes in the consolidated statements of operations.

Business Concentrations and Credit Risk

The Company's business is concentrated primarily in the United States and is dependent on discretionary consumer spending. Continued uncertainty or adverse changes in the economy could lead to additional significant declines in discretionary consumer spending, which, in turn, could result in further declines in the demand for the TiVo service and TiVo-enabled DVRs. As a result of the recent national and global economic downturn, overall consumer spending has declined. Retailers in North America appear to be taking a more conservative stance in ordering electronics inventory and consumers as well appear to be taking a more conservative stance in discretionary purchases, including TiVo DVRs and service subscriptions. Decreases in demand for the Company's products and services, particularly during the critical holiday selling season, could have an adverse impact on its operating results and financial condition. Uncertainty and adverse changes in the economy could also increase the risk of losses on the Company's investments, increase costs associated with developing and producing its products, increase TiVo's churn rate per month, increase the cost and decrease the availability of potential sources of financing, and increase the Company's exposure to losses from bad debts, any of which could have an adverse impact on the Company's financial condition and operating results.

Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash, cash equivalents, short-term and long-term investments, and trade receivables. The Company currently invests the majority of its cash in high-grade government and corporate debt and maintains them with three financial institutions with high credit ratings. As part of its cash management process, the Company performs periodic evaluations of the relative credit ratings of these financial institutions and issuers of the securities the Company owns. The Company has not experienced significant credit losses on its cash, cash equivalents, or short-term and long-term investments.

As of January 31, 2011, the Company held approximately \$3.0 million principal amount of investments with an auction reset feature (auction-rate securities, or "ARS"), with a fair value of \$2.5 million that are classified as long-term assets. The Company has recorded an unrealized loss on these auction rate securities of \$510,000, as the estimated fair value of these ARS was \$510,000 lower than their cost. The Company has no intent to sell and it is more-likely-than-not that the Company will not be required to sell these ARS prior to recovery. Further, the total unrealized loss is primarily due to a liquidity discount resulting from the failed auctions. Therefore, the Company will continue to treat the decline in fair values as temporary and record the unrealized loss in accumulated other comprehensive loss on the accompanying consolidated balance sheet as of January 31, 2011. The Company is exposed to credit risk on its investments to the extent of the amount recorded on the consolidated balance sheets as of January 31, 2011.

The majority of the Company's customers are concentrated in the United States. The Company is subject to a minimal amount of credit risk related to service revenue contracts as these are primarily obtained through credit card sales. The Company sells its TiVo-enabled DVRs to retailers under customary credit terms and generally requires no collateral. No customer generated 10% or more of net revenues for the fiscal years ended January 31, 2011, 2010, and 2009. The Company's accounts receivable concentrations as of January 31, 2011, 2010 and 2009 were as follows:

	As of January 31,			
	2011	2010	2009	
DIRECTV	15	% 12	% 18	%
Best Buy	—	% 17	% 19	%
Seven/Hybrid TV	—	% 22	% 7	%
Comcast	17	% 27	% 25	%
RCN	10	% —	% —	%
Other customers	58	% 22	% 31	%
Total accounts receivable	100	% 100	% 100	%

The Company does not have a long-term written supply agreement with Broadcom, the sole supplier of the system controller for its DVR. In instances where a supply agreement does not exist and suppliers fail to perform their obligations, the Company may be unable to find alternative suppliers or deliver its products and services to its customers on time if at all.

The TiVo service is enabled through the use of a DVR manufactured for TiVo by a third-party contract manufacturer. The Company also relies on third parties with whom it outsources supply-chain activities related to inventory warehousing, order fulfillment, distribution, and other direct sales logistics. The Company cannot be sure that these parties will perform their obligations as expected or that any revenue, cost savings, or other benefits will be derived from the efforts of these parties. If any of these parties breaches or terminates their agreement with TiVo or otherwise fails to perform their obligations in a timely manner, the Company may be delayed or prevented from commercializing its products and services.

Recent Accounting Pronouncements

In January 2010, the FASB issued guidance that requires new disclosures for fair value measurements and provides clarification for existing disclosure requirements. The guidance is effective for interim and annual periods beginning after December 15, 2009, except for gross presentation of activity in Level 3 which is effective for annual periods beginning after December 15, 2010, and for interim periods in those years. The Company adopted the guidance for new disclosures for fair value measurements and clarification for existing disclosure requirements as of February 1, 2010 and there was no material impact on its consolidated financial statements. TiVo does not expect a material impact on its consolidated financial statements when it adopts the guidance for Level 3 activity. See Note 4, "Fair Value" for additional information on the fair value of financial instruments.

In October 2009, the FASB issued a new accounting standards update which provides guidance for arrangements with multiple deliverables. Specifically, the new accounting standards update requires an entity to allocate arrangement consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices. In addition, the new accounting standards update eliminates the use of the residual method of allocation and requires the relative-selling-price method in all circumstances in which an entity recognizes revenue for an arrangement with multiple deliverables. In October 2009, the FASB also issued a new accounting standards update which changes revenue recognition for tangible products containing software and hardware elements. Specifically, if certain requirements are met, revenue arrangements that contain tangible products with software elements that are essential to the functionality of the products are scoped out of the existing software revenue recognition accounting guidance and will be accounted for under the multiple-element arrangements revenue recognition guidance discussed above. Both standards will be effective for TiVo in the first quarter of fiscal year 2012. The Company does not expect a significant impact from the adoption of this new accounting standards.

3. CASH AND INVESTMENTS

Cash, cash equivalents, short-term investments, and long-term investments consisted of the following:

	As of January 31,	
	2011	2010
	(in thousands)	
Cash and cash equivalents:		
Cash	\$4,362	\$4,111
Cash equivalents:		
Commercial paper	40,189	14,994
Money market funds	26,670	51,786
Total cash and cash equivalents	71,221	70,891
Marketable securities:		
Certificate of deposit	25,607	16,401
Commercial paper	24,473	39,559
Corporate debt securities	42,897	49,833
US agency securities	23,083	26,998
US Treasury securities	5,023	15,113
Foreign government securities	12,035	25,787
Variable-rate demand notes	2,600	—
Asset-backed securities	2,498	—
Current marketable securities	138,216	173,691
Auction rate securities (1)	2,490	4,112
Non-current marketable securities	2,490	4,112
Total marketable securities	140,706	177,803
Other investment securities:		
Other investment securities - cost method	3,400	3,400
Total other investment securities (1)	3,400	3,400
Total cash, cash equivalents, marketable securities and other investment securities	\$215,327	\$252,094

(1) Auction rate securities and other investment securities are included in "Long-term investments" on the Company's consolidated balance sheets.

Marketable Securities

The Company's investment securities portfolio consists of various debt instruments, including corporate and government bonds, asset-backed securities, and foreign corporate and government securities, all of which are classified as available-for-sale.

Other Investment Securities

TiVo has an investment in a private company where the Company's ownership is less than 20% and TiVo does not have significant influence. The investment is accounted for under the cost method and is periodically assessed for other-than-temporary impairment. See Note 4, "Fair Value" for additional information on the impairment assessment of the investment.

Contractual Maturity Date

The following table summarized the estimated fair value of the Company's debt investments, designated as available-for-sale classified by the contractual maturity date of the security:

Edgar Filing: TIVO INC - Form 10-K/A

	January 31, 2011 (in thousands)	January 31, 2010
Due within 1 year	\$123,631	\$141,857
Due within 1 year through 5 years	14,585	31,834
Due within 5 years through 10 years	—	—
Due after 10 years	2,490	4,112
Total	\$140,706	\$177,803

Unrealized Gains (Losses) on Marketable Investment Securities

The following table summarizes unrealized gains and losses related to the Company's investments in marketable securities designated as available-for-sale:

	As of January 31, 2011			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Certificate of deposit	\$25,600	\$7	\$—	\$25,607
Commercial paper	24,471	2	—	24,473
Corporate debt securities	42,847	50	—	42,897
US agency securities	23,074	11	(2	) 23,083
US Treasury securities	5,009	14	—	5,023
Foreign government securities	12,030	5	—	12,035
Variable-rate demand notes	2,600	—	—	2,600
Asset-backed securities	2,499	—	(1	) 2,498
Auction rate securities	3,000	—	(510	) 2,490
Total	\$141,130	\$89	\$(513	) \$140,706
	As of January 31, 2010			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Certificate of deposit	\$16,408	\$—	\$(7	) \$16,401
Commercial paper	39,547	12	—	39,559
Corporate debt securities	49,743	134	(44	) 49,833
US agency securities	26,958	40	—	26,998
US Treasury securities	15,065	48	—	15,113
Foreign government securities	25,708	79	—	25,787
Auction rate securities	5,000	—	(888	) 4,112
Total	\$178,429	\$313	\$(939	) \$177,803

The available-for-sale investments that were in an unrealized loss position as of January 31, 2011 and January 31, 2010, aggregated by length of time that individual securities have been in a continuous loss position, were as follows:

Edgar Filing: TIVO INC - Form 10-K/A

	As of January 31, 2011					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in thousands)					
Commercial paper	\$—	\$—	\$—	\$—	\$—	\$—
Corporate debt securities	1,003	—	5,000	—	6,003	—
US Treasury securities	5,088	(2)	—	—	5,088	(2)
Asset-backed securities	2,498	(1)	—	—	2,498	(1)
Auction rate securities	—	—	2,490	(510)	2,490	(510)
	\$8,589	\$(3)	\$7,490	\$(510)	\$16,079	\$(513)

	As of January 31, 2010					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in thousands)					
Certificate of deposit	\$16,401	\$(7)	\$—	\$—	\$16,401	\$(7)
Commercial Paper	39,559	—	—	—	39,559	—
Corporate debt securities	49,833	(44)	—	—	49,833	(44)
US agency securities	26,998	—	—	—	26,998	—
US Treasury securities	15,113	—	—	—	15,113	—
Foreign government securities	25,787	—	—	—	25,787	—
Auction rate securities	—	—	4,112	(888)	4,112	(888)
	\$173,691	\$(51)	\$4,112	\$(888)	\$177,803	\$(939)

As of January 31, 2011, the unrealized losses on the Company's available-for-sale investments were insignificant in relation to its total available-for-sale portfolio. Substantially all of its unrealized losses on its available-for-sale marketable debt instruments can be attributed to fair value fluctuations in an unstable credit environment that resulted in a decrease in the market liquidity for these debt instruments. The Company is not aware of any specific factors indicating that the underlying issuers of these investments would not be able to pay interest as it becomes due or repay the principal at maturity. Therefore, the Company believes that these changes in the estimated fair values of these marketable investments securities are related to temporary market fluctuations. As of January 31, 2011, the estimated fair value of the Company's ARS was \$510,000 lower than their cost, and we have recorded this unrealized loss on our balance sheet as accumulated other comprehensive loss. The Company has no intent to sell and it is more-likely-than-not that the Company will not be required to sell these ARS prior to recovery. Further, the total unrealized loss is primarily due to a liquidity discount resulting from the failed auctions. Therefore, the Company will continue to treat the decline in fair values as temporary and record the unrealized loss to accumulated other comprehensive income on the accompanying consolidated balance sheet as of January 31, 2011.

4. FAIR VALUE

Fair value is defined as the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair

value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. The Company's financial instruments are measured and recorded at fair value, except for its cost method investment.

The three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value is:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity. Level 3 inputs also include non-binding market consensus prices or non-binding broker quotes that we were unable to corroborate with observable market data.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company's cash equivalents and marketable securities are classified within Level 1 or Level 2, with the exception of the investments in auction rate securities and asset-backed securities. This is because the Company values its cash equivalents and marketable securities using quoted market prices in active markets for identical assets (Level 1 inputs) or alternative pricing sources and models utilizing market observable inputs (Level 2 inputs). The valuation techniques used to measure the fair value of the Company's marketable securities having Level 2 inputs were derived from non-binding market consensus prices that are corroborated by observable market data, quoted market prices for similar instruments, or pricing models. The Company's investments in auction rate securities are classified within Level 3 because they are valued using a discounted cash flow model. The Company's asset-backed securities are classified within Level 3 because they are valued based on non-binding, broker-provided price quotes. Some of the inputs to these models are unobservable in the market and are significant.

Assets and liabilities measured and recorded at fair value on a recurring basis consisted of the following types of instruments as of January 31, 2011 and January 31, 2010.

Edgar Filing: TIVO INC - Form 10-K/A

As of January 31, 2011				
Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(in thousands)				
Assets:				
Cash equivalents:				
Commercial paper	\$40,190	\$ —	\$40,190	\$—
Money market funds	26,670	26,670	—	—
Short-term investments:				
Certificate of deposit	25,607	25,607	—	—
Commercial paper	24,473	—	24,473	—
Corporate debt securities	42,897	—	42,897	—
US agency securities	23,083	—	23,083	—
US Treasury securities	5,023	5,023	—	—
Foreign government securities	12,035	—	12,035	—
Variable-rate demand notes	2,600	—	2,600	—
Asset-backed securities	2,498	—	—	2,498
Long-term investments:				
Auction rate securities	2,490	—	—	2,490
	\$207,566	\$ 57,300	\$145,278	\$4,988
As of January 31, 2010				
Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(in thousands)				
Assets:				
Cash equivalents:				
Commercial paper	\$14,995	\$ —	\$14,995	\$—
Money market funds	51,786	51,786	—	—
Short-term investments:				
Certificate of deposit	16,401	16,401	—	—
Commercial paper	39,559	—	39,559	—
Corporate debt securities	49,833	—	49,833	—
US agency securities	26,998	—	26,998	—
US Treasury securities	15,113	15,113	—	—
Foreign government securities	25,787	—	25,787	—
Long-term investments:				
Auction rate securities	4,112	—	—	4,112
	\$244,584	\$ 83,300	\$157,172	\$4,112

The following tables present reconciliations of financial assets measured at fair value using significant unobservable inputs (Level 3) during the twelve months ended January 31, 2011 and January 31, 2010 (in thousands):

	Auction Rate Securities	Asset-backed Securities	Total
Balance, January 31, 2010	\$4,112	\$—	\$4,112
Transfer into Level 3	—	—	—
Purchases	—	2,498	2,498
Sales	(1,715	) —	(1,715
Total unrealized losses included in accumulated other comprehensive loss	93	—	93
Balance, January 31, 2011	\$2,490	\$2,498	\$4,988
		Auction Rate Securities	
Balance, January 31, 2009		\$3,944	
Transfer into Level 3		—	
Total unrealized gains included in accumulated other comprehensive loss		168	
Balance, January 31, 2010		\$4,112	

Marketable securities measured at fair value using Level 3 inputs are comprised of asset-backed and auction rate securities. Asset-backed securities values are based on non-binding broker provided price quotes and may not have been corroborated by observable market data. Although auction rate securities would typically be measured using Level 2 inputs, the failure of auctions and the lack of market activity and liquidity required that these securities be measured using Level 3 inputs. The underlying assets of the Company's auction rate securities are collateralized primarily by student loans guaranteed by the U.S. government. The fair value of its auction rate securities was determined using a pricing model that market participants would use that considered projected cash flows for the issuing trusts, underlying collateral and expected yields. Projected cash flows were estimated based on the underlying loan principal, bonds outstanding, and payout formulas. The weighted-average life over which cash flows were projected considered the collateral composition of the securities and related historical and projected prepayments. The discount rates that were applied to the pricing model were based on market conditions and rates for comparable or similar term asset-backed securities as well as other fixed income securities. There were no transfers in and out of Level 1 or 2.

TiVo also has a direct investment in a privately-held company accounted for under the cost method, which is periodically assessed for other-than-temporary impairment. If the Company determines that an other-than-temporary impairment has occurred, TiVo will write-down the investment to its fair value. The fair value of a cost method investment is not evaluated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. However, if such significant adverse events were identified, the Company would estimate the fair value of its cost method investment considering available information at the time of the event, such as pricing in recent rounds of financing, current cash position, earnings and cash flow forecasts, recent operational performance and any other readily available data. The carrying amount of the Company's cost method investment was \$3.4 million as of January 31, 2011 and January 31, 2010. No

events or circumstances indicating a potential impairment were identified as of January 31, 2011, or January 31, 2010. Cash equivalents and available-for-sale marketable securities (including auction rate securities and asset-backed securities) are reported at their fair value. Additionally, carrying amounts of certain of the Company's financial instruments including accounts receivable, accounts payable, and accrued expenses approximate their fair value because of their short maturities.

5. BARTER TRANSACTION

During the second quarter of fiscal year 2008, the Company entered into a barter transaction, exchanging TiVo Series2™ standard definition DVR inventory with a net book value of \$2,774,000 for barter credits that are redeemable for a percentage of future purchases of advertising media and other services from certain vendors. The barter credits were valued at the fair value of the inventory exchanged, which was determined to be \$1,785,000. The resultant pre-tax loss on this exchange of \$989,000 was included in the gross margin in the Company's consolidated statement of operations for the fiscal year ended January 31, 2008.

In the fiscal years ended January 31, 2011, 2010, and 2009, the Company utilized trade credits in the amount of \$96,000, \$90,000, and \$116,000, respectively. Additionally, in the fiscal year ended January 31, 2009, the Company wrote off another \$522,000 in trade credits based on lower expected purchases of advertising media and other services that can be applied against the credits prior to their expiration.

As of January 31, 2011, the Company had \$619,000 in trade credits, recorded on the consolidated balance sheet. The credits expected to be utilized in the next twelve months in the amount of \$50,000 are included in prepaid expenses and other current assets and the remaining \$569,000 is included in other long-term assets in the Company's consolidated balance sheet at January 31, 2011. The Company evaluates the recoverability of the credits on a quarterly basis and expects to utilize all credits recorded prior to their expiration in July 2015.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	January 31, 2011	2010
	(In thousands)	
Furniture and fixtures	\$3,788	\$3,602
Computer and office equipment	18,720	17,712
Lab equipment	3,713	3,392
Leasehold improvements	8,550	8,443
Capitalized internal use software	20,140	17,883
Total property and equipment	54,911	51,032
Less: accumulated depreciation and amortization	(44,682	) (40,934
Property and equipment, net	\$10,229	\$10,098

Depreciation and amortization expense for property and equipment for the fiscal years ended January 31, 2011, 2010, and 2009 was \$6.4 million, \$6.1 million, and \$6.5 million, respectively.

7. PURCHASED TECHNOLOGY, CAPITALIZED SOFTWARE, AND INTANGIBLE ASSETS, NET

Purchased technology, capitalized software, and intangible assets, net consists of the following:

Edgar Filing: TIVO INC - Form 10-K/A

	January 31, 2011			January 31, 2010		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In thousands)					
Purchased technology	\$1,500	\$(1,500)	) \$—	\$1,500	\$(1,500)) \$—
Capitalized software	1,951	(1,951)	) —	1,951	(1,951)) —
Intellectual property rights	18,615	(11,659)	) 6,956	18,615	(9,050)	) 9,565
Purchased technology, capitalized software, and intangible assets	\$22,066	\$(15,110)	) \$6,956	\$22,066	\$(12,501)	) \$9,565

During the fiscal year ended January 31, 2010 we acquired purchased technology, capitalized software, and intangible asset of \$2.0 million respectively with a weighted average life of 7 years.

The total expected future annual amortization expense related to purchased technology, capitalized software, and intangible assets is calculated on a straight-line basis, using the useful lives of the assets, which range from three to five years for purchased technology and capitalized software and five to seven years for intellectual property rights. Amortization expense for the fiscal years ended January 31, 2011, 2010, and 2009, was \$2.6 million, \$3.1 million, and \$3.2 million, respectively. Estimated future annual amortization expense is set forth in the table below:

Fiscal Year Ending January 31,	Estimated Annual Amortization Expense (In thousands)
2012	\$2,609
2013	2,143
2014	1,479
2015	336
2016	305
Thereafter	84
Total	\$6,956

8. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	As of January 31,	
	2011	2010
	(In thousands)	
Compensation and vacation	\$12,873	\$12,084
Marketing and promotions	4,507	2,481
Legal services	3,761	683
Redeemable gift certificates for subscriptions	2,646	2,814
Other	6,328	6,724
Total accrued liabilities	\$30,115	\$24,786

9. INDEMNIFICATION ARRANGEMENTS AND GUARANTEES

Product Warranties

The Company's standard manufacturer's warranty period to consumers for TiVo-enabled DVRs is 90 days for

parts and labor from the date of consumer purchase, and from 91-365 days for parts only, also known as the Limited Warranty. Within the limited warranty period, consumers are offered a no-charge exchange for TiVo-enabled DVRs returned due to product defect, within 90 days from the date of consumer purchase. Thereafter, consumers may exchange a TiVo-enabled DVR with a product defect for a charge. As of January 31, 2011 and January 31, 2010, the accrued warranty reserve was \$419,000 and \$233,000, respectively. The Company's accrued warranty reserve is included in accrued liabilities in the accompanying consolidated balance sheets.

The Company also offers customers separately priced optional 2-year and 3-year extended warranties. The Company defers and amortizes cost and revenue associated with the sales of the extended warranties over the warranty period or until a warranty is redeemed. As of January 31, 2011, the extended warranty deferred revenue and cost was \$891,000 and \$269,000, respectively. As of January 31, 2010, the extended warranty deferred revenue and cost was \$234,000 and \$70,000, respectively.

Indemnification Arrangements

The Company undertakes indemnification obligations in its ordinary course of business. For instance, the Company has undertaken to indemnify its underwriters and certain investors in connection with the issuance and sale of its securities. The Company has also undertaken to indemnify certain customers and business partners for, among other things, the licensing of its products, the sale of its DVRs, and the provision of engineering and consulting services. Pursuant to these agreements, the Company may indemnify the other party for certain losses suffered or incurred by the indemnified party in connection with various types of claims, which may include, without limitation, intellectual property infringement, advertising and consumer disclosure laws, certain tax liabilities, negligence and intentional acts in the performance of services and violations of laws, including certain violations of securities laws with respect to underwriters and investors. The term of these indemnification obligations is generally perpetual. The Company's obligation to provide indemnification would arise in the event that a third-party filed a claim against one of the parties that was covered by the Company's indemnification obligation. As an example, if a third-party sued a customer for intellectual property infringement and the Company agreed to indemnify that customer against such claims, its obligation would be triggered.

The Company is unable to estimate with any reasonable accuracy the liability that may be incurred pursuant to its indemnification obligations, if any. A few of the variables affecting any such assessment include but are not limited to: the nature of the claim asserted; the relative merits of the claim; the financial ability of the party suing the indemnified party to engage in protracted litigation; the number of parties seeking indemnification; the nature and amount of damages claimed by the party suing the indemnified party; and the willingness of such party to engage in settlement negotiations. Due to the nature of the Company's potential indemnity liability, its indemnification obligations could range from immaterial to having a material adverse impact on its financial position and its ability to continue operation in the ordinary course of business.

Under certain circumstances, the Company may have recourse through its insurance policies that would enable it to recover from its insurance company some or all amounts paid pursuant to its indemnification obligations. The Company does not have any assets held either as collateral or by third parties that, upon the occurrence of an event requiring it to indemnify a customer, the Company could obtain and liquidate to recover all or a portion of the amounts paid pursuant to its indemnification obligations.

10. COMMITMENT AND CONTINGENCIES

Legal Matters

Intellectual Property Litigation. On January 5, 2004, TiVo filed a complaint against EchoStar Communications Corporation and EchoStar DBS Corporation in the U.S. District Court for the Eastern District of Texas alleging willful and deliberate infringement of U.S. Patent No. 6,233,389, entitled "Multimedia Time Warping System." The Company subsequently amended its complaint to add related entities (collectively "EchoStar"). The Company alleges that it is the owner of this patent, and further alleges that the defendants have willfully and deliberately infringed this patent by making, selling, offering to sell and/or selling digital video recording devices, digital video recording device software, and/or personal television services in the United States. On April 13, 2006, the jury rendered a verdict in favor of the Company in the amount of approximately \$74.0 million dollars. The jury ruled that the Company's patent is valid and that all nine of the asserted claims in the Company's patent are infringed by each of the accused EchoStar

products. The jury also ruled that the defendants willfully infringed the patent. On

26

September 8, 2006 the district court issued an Amended Final and Permanent injunction that prohibited the defendants from, among other things, making, using, offering for sale or selling in the United States the following EchoStar DVRs: DP-501, DP-508, DP-510, DP-721, DP-921, DP-522, DP-625, DP-942, and all EchoStar Communications Corporation DVRs that are not more than colorably different from any of these products. On October 3, 2006, the United States Court of Appeals for Federal Circuit stayed the district court's injunction pending appeal. On January 31, 2008, the U.S. Court of Appeals for the Federal Circuit in Washington, D.C. unanimously ruled in favor of the Company in connection with EchoStar's appeal of the district court judgment of patent infringement against EchoStar with respect to Claims 31 and 61 of the patent (the so called software claims), upholding the full award of damages from the district court, and ordering that the stay of the district court's injunction will dissolve when the appeal becomes final. The district court's judgment of infringement by EchoStar of certain other claims of the patent (the so called hardware claims) were reversed and remanded for further proceedings. On October 6, 2008, the Supreme Court denied EchoStar's writ of certiorari. On October 8, 2008, the Company received \$104.6 million from EchoStar of which approximately \$87.8 million represents damages through September 8, 2006 and was recorded as litigation proceeds within the operating expense section of TiVo's statement of operations. The remaining approximately \$16.8 million was recorded as interest income and represented pre- and post-judgment interest through October 8, 2008.

With respect to the district court's injunction and damages after September 8, 2006, the district court held a hearing on EchoStar's alleged work around of the Company's patent on February 17-19, 2009. On June 2, 2009, the district court found EchoStar in contempt of its permanent injunction for violation of two separate provisions of the injunction the disablement provision (requiring EchoStar to disable the DVR functionality in the adjudicated products) and the infringement provision (barring continuing infringement). The Court also awarded TiVo an approximately \$103 million plus interest for EchoStar's continued infringement for the period from September 8, 2006 to April 18, 2008. The Court deferred ruling on the issue of monetary sanctions for contempt of the permanent injunction as well as certain other damages.

On July 1, 2009, the United States Court of Appeals for the Federal Circuit stayed the district court's ruling pending EchoStar's appeal of the district court's decision finding EchoStar in contempt of the permanent injunction. On September 4, 2009, the United States District Court for the Eastern District of Texas awarded TiVo contempt damages in connection with its permanent injunction regarding EchoStar's on-going infringement of TiVo's U.S. Patent No. 6,233,389 in the form of an on-going royalty of \$2.25 per subscriber per month during the contempt period of April 18, 2008 to July 1, 2009, which amounts to almost \$200.0 million. The Court also awarded TiVo its attorney's fees and costs incurred during the contempt proceedings. Additionally, on September 4, 2009, the Court awarded TiVo an additional \$10.6 million in prejudgment interest in connection with the stay period damages from September 8, 2006 to April 18, 2008 which was previously awarded to TiVo. Enforcement of these awards is stayed pending resolution of EchoStar's appeal of the district court's decision finding EchoStar in contempt of the permanent injunction. On February 8, 2010, the Court entered an Order quantifying the attorney's fees and costs incurred during the contempt proceedings to be \$5.8 million. On March 4, 2010, the United States Court of Appeals for the Federal Circuit in Washington, D.C. fully affirmed the United States District Court for the Eastern District of Texas's finding of contempt of its permanent injunction against EchoStar, including both the disablement and infringement provisions. On March 9, 2010, EchoStar filed a motion with the District Court seeking pre-approval of a new alleged design-around for its Broadcom DVR receivers ("rework2") as well as an emergency motion for expedited resolution of its pre-approval motion. On March 25, 2010, the United States District Court for the Eastern District of Texas entered an order staying the injunction until midnight April 30, 2010. On May 10, 2010, the district court extended the stay until June 4, 2010. On May 14, 2010, the United States Court of Appeals for the Federal Circuit in Washington, D.C. granted EchoStar's request for a rehearing en banc. This order vacated the March 4, 2010 decision by the Court of Appeals to affirm the District Court's finding of contempt against EchoStar. On November 9, 2010, the en banc Federal Circuit heard oral arguments on the briefs. The Company expects the decision of the en banc panel to come most likely in the first half of 2011.

On June 4, 2010, the United States Patent and Trademark Office (the "USPTO") issued a final office action in a second reexamination filed by EchoStar preliminarily rejecting Claims 31 and 61 of U.S. Patent No. 6,233,389 as obvious in light of two references previously considered by the USPTO in the first reexamination. On October 6, 2010, the Company was notified by the USPTO that the USPTO had issued a final notice in its second reexamination

of U.S. Patent No. 6,233,389, re-confirming the validity of all the patent's claims at issue. As of February 9, 2011, the USPTO's Patent Application Information Retrieval ("PAIR") system indicates that the reexamination certificate confirming the validity of U.S. Patent No. 6,233,389 has issued from the USPTO. TiVo is awaiting receipt of that reexamination certificate at this time.

On May 30, 2008, Dish Network Corporation and its related entities filed a complaint against TiVo in the U.S. District Court for the District of Delaware for declaratory relief that Dish's unspecified digital video recorders do not infringe TiVo's 389 patent. On July 7, 2008, TiVo filed a motion to dismiss Dish's complaint against TiVo for declaratory relief that Dish's unspecified DVRs do not infringe TiVo's 389 patent. On March 31, 2009, the court denied TiVo's motion to dismiss. On May 28, 2009, the court ordered the action transferred to the Eastern District of Texas which stayed the action on June 19, 2009. The Company intends to defend this action vigorously; however, the Company may incur material expenses in connection with this lawsuit and in the event there is an adverse outcome, the Company's business could be harmed. No loss is considered probable or estimable at this time.

On April 29, 2005, EchoStar Technologies Corporation filed a complaint against TiVo and Humax USA, Inc. in the U.S. District Court for the Eastern District of Texas alleging infringement of U.S. Patent Nos. 5,774,186 ("Interruption Tolerant Video Program Viewing"), 6,529,685 B2 ("Multimedia Direct Access Storage Device and Formatting Method"), 6,208,804 B1 ("Multimedia Direct Access Storage Device and Formatting Method") and 6,173,112 B1 ("Method and System for Recording In-Progress Broadcast Programs"). The complaint alleges that EchoStar Technologies Corporation is the owner by assignment of the patents allegedly infringed. The complaint further alleges that TiVo and Humax have infringed, contributorily infringed and/or actively induced infringement of the patents by making, using, selling or importing digital video recording devices, digital video recording device software and/or personal television services in the United States that allegedly infringe the patents, and that such infringement is willful and ongoing. Under the terms of the Company's agreement with Humax governing the distribution of certain DVRs that enable the TiVo service, the Company is required to indemnify Humax against any claims, damages, liabilities, costs, and expenses relating to claims that the Company's technology infringes upon intellectual property rights owned by third parties. On May 10, 2005, Humax formally notified TiVo of the claims against it in this lawsuit as required by Humax's agreement with TiVo. On July 1, 2005, the defendants filed their answer and counterclaims. On May 10, 2006, the district court dismissed with prejudice, EchoStar's claim of infringement against TiVo and Humax relating to patent 112 ("Method and System for Recording In-Progress Broadcast Programs") and claims 21-30 and 32 relating to patent '186 ("Interruption Tolerant Video Program Viewing"). A claim construction hearing was held on May 11, 2006. On July 14, 2006, the magistrate judge for the U.S. District Court for the Eastern District of Texas, issued a stay of the case pending the USPTO completion of proceedings with respect to TiVo's request for reexamination of the '186, '685, and '804 patents. On November 19, 2010, EchoStar filed a motion to lift the stay. On February 8, 2011, the magistrate judge for the U.S. District Court for the Eastern District of Texas ordered that the stay be lifted. In requesting that the district court lift the stay, EchoStar represented to the district court that it will not proceed on the remaining claims of the '685 patent, that it will dismiss the '186 patent from the case, grant TiVo a covenant not to sue under the '186 patent, and proceed only on the '804 patent. On March 2, 2011, the district court set a trial date for June 5, 2012. The Company intends to defend this action vigorously; however, the Company is incurring expenses in connection with this lawsuit, which could become material in the future and in the event there is an adverse outcome, the Company's business could be harmed. No loss is considered probable or estimable at this time.

On August 26, 2009, TiVo Inc. filed separate complaints against AT&T Inc. and Verizon Communications, Inc. in the United States District Court for the Eastern District of Texas for infringement of the following three TiVo patents U.S. Patent Nos. 6,233,389 B1 ("Multimedia Time Warping System"), 7,529,465 B2 ("System for Time Shifting Multimedia Content Streams"), and 7,493,015 B1 ("Automatic Playback Overshoot Correction System"). The complaints seek, among other things, damages for past infringement and a permanent injunction, similar to that issued by the United States District Court, Eastern District of Texas against EchoStar. On January 15, 2010, Microsoft Corporation ("Microsoft") moved to intervene in the action filed against AT&T Inc., and on March 31, 2010 the district court granted Microsoft's motion. On March 28, 2010, AT&T Operations filed a motion to intervene in the action filed against AT&T; AT&T Operations and Microsoft filed a motion to transfer the proceedings to the United States District Court for the Northern District of California; and AT&T Inc., AT&T Operations, and Microsoft filed a motion to sever the claims involving Microsoft and AT&T Operations and stay the remaining proceeding involving AT&T. On September 17, 2010, the court issued an order denying AT&T's motion to transfer. The Company is incurring material expenses in connection with this litigation.

On February 24, 2010, Verizon answered TiVo's August 26, 2009 complaint and Verizon asserted counterclaims. The counterclaims seek declaratory judgment of non-infringement and invalidity of the patents TiVo asserted against

Verizon in the August 26th complaint. Additionally, Verizon alleged infringement of U.S. Patents: 5,410,344 ("Apparatus and Method of Selecting Video Programs Based on Viewers' Preferences"), 5,635,979 ("Dynamically Programmable Digital Entertainment Terminal Using Downloaded Software to Control Broadband Data Operations"), 5,973,684 ("Digital Entertainment Terminal Providing Dynamic Execution in Video Dial Tone

Networks"), 7,561,214 ("Two-dimensional Navigation of Multiplexed Channels in a Digital Video Distribution System"), 6,367,078 ("Electronic Program-Guide System with Sideways-Surfing Capability"). On March 15, 2010, Verizon filed an amended answer further alleging infringement of U.S. Patent No. 6,381,748 ("Apparatus And Methods For Network Access Using A Set Top Box And Television"). Verizon seeks, among other things, damages and a permanent injunction. On September 17, 2010, the court issued an order denying Verizon's motion to transfer. The Company is incurring material expenses in connection with this litigation and in the event there is an adverse outcome, the Company's business could be harmed. No loss is considered probable or estimable at this time. On January 19, 2010, Microsoft Corporation filed a complaint against TiVo in the United States District Court for the Northern District of California for alleged infringement of the following two patents: U.S. Patent Nos. 6,008,803 ("System for Displaying Programming Information") and 6,055,314 ("System and Method for Secure Purchase and Delivery of Video Content Programs"). The complaint seeks, among other things, damages and a permanent injunction. On April 19, 2010, TiVo served its answer to the complaint, and counterclaimed seeking a declaration that TiVo does not infringe and the patents are invalid. On June 30, 2010, Microsoft filed an amended complaint alleging infringement of the following additional five patents: U.S. Patent Nos. 5,654,748 ("Interactive Program Identification System"), 5,677,708 ("System for Displaying a List on a Display Screen"), 5,896,444 ("Method and Apparatus for Managing Communications Between a Client and a Server in a Network"), 6,725,281 ("Synchronization of Controlled Device State Using State Table and Eventing in Data-Driven Remote Device Control Model"), and 5,648,824 ("Video Control User Interface for Controlling Display of a Video"). The amended complaint seeks, among other things, damages and a permanent injunction. On August 2, 2010, TiVo served its Answer to the amended complaint and counterclaimed, seeking a declaration that TiVo does not infringe and the patents are invalid. On January 13, 2011, TiVo filed a motion to amend its answer and counterclaims to allege infringement of U.S. Patent No. 6,792,195 B2 ("Method and Apparatus Implementing Random Access and Time-Based Functions on a Continuous Stream of Formatted Digital Data"). The Company is incurring material expenses in connection with this litigation and in the event there is an adverse outcome, the Company's business could be harmed. No loss is considered probable or estimable at this time.

On January 24, 2011, Microsoft Corporation filed a Complaint with the United States International Trade Commission (the "ITC") requesting that the ITC commence an investigation pursuant to Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, into the importation into the United States, the sale for importation into the United States, and/or the sale within the United States after importation of certain set-top boxes that allegedly infringe the following four patents: U.S. Patent Nos. 5,585,838 ("Program Time Guide"), 5,731,844 ("Television Scheduling System for Displaying a Grid Representing Scheduled Layout and Selecting a Programming Parameter for Displaying or Recording"), 6,028,604 ("User Friendly Remote System Interface Providing Previews of Applications"), and 5,758,258 ("Selective Delivery of Programming for Interactive Televideo System"). The Complaint named TiVo as Respondent. On February 24, 2011, the ITC voted to investigate the complaint filed by Microsoft. The ITC's Chief Administrative Law Judge assigned the case to one of the ITC's six administrative law judges, who will schedule and hold an evidentiary hearing. The administrative law judge will make an initial determination as to whether there is a violation of Section 337; that initial determination is subject to review by the ITC. The ITC will make a final determination in the investigation at the earliest practicable time. The ITC has set a target date for completing the investigation of July 2, 2012. As a result of Microsoft's ITC lawsuit, we expect to incur material expenses this year defending Microsoft's lawsuit filed with the ITC and in the event there is an adverse outcome, the Company's business could be harmed. No loss is considered probable or estimable at this time.

On January 24, 2011, Microsoft Corporation filed a complaint against TiVo in the United States District Court for the Western District of Washington for alleged infringement of the following four patents, which are the same four patents alleged to be infringed in Microsoft's Complaint filed on the same date with the Commission: U.S. Patent Nos. 5,585,838 ("Program Time Guide"), 5,731,844 ("Television Scheduling System for Displaying a Grid Representing Scheduled Layout and Selecting a Programming Parameter for Displaying or Recording"), 6,028,604 ("User Friendly Remote System Interface Providing Previews of Applications"), and 5,758,258 ("Selective Delivery of Programming for Interactive Televideo System"). The Company intends to defend this action and the action before the Commission vigorously; however, the Company is incurring expenses in connection with this lawsuit, which could become material in the future, and in the event there is an adverse outcome, the Company's business could be harmed. No loss is considered probable or estimable at this time.

On March 12, 2010, AT&T Intellectual Property I, L.P., and AT&T Intellectual Property II, L.P. (collectively, "AT&T") filed a complaint against TiVo Inc. in the United States District Court for the Northern District of California

for infringement of the following four patents: U.S. Patent Nos. 5,809,492 ("Apparatus and Method for Defining Rules for Personal Agents"), 5,922,045 ("Method and Apparatus for Providing Bookmarks when Listening to Previously Recorded Audio Programs"), 6,118,976 ("Asymmetric Data Communications System"), and 6,983,478 ("Method and System for Tracking Network Use"). The complaint seeks, among other things, damages for past infringement and a permanent injunction. On May 3, 2010, TiVo served its Answer to the complaint and counterclaimed, seeking a declaration that TiVo does not infringe and the patents are invalid. On December 3, 2010, TiVo filed with the USPTO requests for reexamination of all four of the patents asserted by AT&T in this litigation. TiVo filed an inter partes reexamination request for U.S. Patent No. 6,983,478, and ex parte reexamination requests for U.S. Patent Nos. 5,809,492, 5,922,045, and 6,118,976. On December 6, 2010, TiVo filed a motion to stay this litigation in view of the reexamination requests. On December 17, 2010, AT&T filed an Amended Complaint for Patent Infringement, adding to its claims allegations of inducing infringement, contributory infringement, and willful infringement. On January 20, 2011, TiVo served its Answer to the amended complaint, again seeking a declaration that TiVo does not infringe and the patents are invalid. On February 1, 2011, TiVo filed a Notice with the Court that the USPTO had granted all four of TiVo's petitions for reexamination of the patents asserted by AT&T in this litigation: on January 18, 2011, the USPTO granted TiVo's petition for ex parte reexamination of all asserted claims of U.S. Patent No. 5,809,492; on January 24, 2011, the USPTO granted TiVo's petition for ex parte reexamination of all asserted claims of U.S. Patent No. 6,118,976; on January 26, 2011, the USPTO granted TiVo's petition for inter partes reexamination of all asserted claims of U.S. Patent No. 6,983,478; and on January 31, 2011, the USPTO granted TiVo's petition for ex parte reexamination of all asserted claims of U.S. Patent No. 5,922,045. On March 1, 2011, the court granted our request to stay the lawsuit to reexamine AT&T's patents. The Company may incur material expenses in connection with this litigation and in the event there is an adverse outcome, the Company's business could be harmed. No loss is considered probable or estimable at this time.

On February 25, 2011, Motorola Mobility, Inc. and General Instrument Corporation, a subsidiary of Motorola, filed a complaint against us in the United States District Court for the Eastern District of Texas seeking declaratory judgment of non-infringement and invalidity of two of the patents we asserted against Verizon in our August 26, 2009 complaint. Additionally, Motorola alleged infringement of U.S. Patents: 6,304,714 ("In Home Digital Video Unit with Combined Archival Storage and High-Access Storage"), 5,949,948 ("Method and Apparatus for Implementing Playback Features for Compressed Video") and 6,356,708 ("Method and Apparatus for Implementing Playback Features for Compressed Video"). Motorola seeks, among other things, damages and a permanent injunction. We expect to incur material expenses in connection with this lawsuit, and in the event we were to lose, we could be forced to pay damages for infringement, to license technology from Motorola, and we could be subject to an injunction preventing us from infringing Motorola's technology or otherwise affecting our business, and in any such case, our business would be harmed. No loss is considered probable or estimable at this time.

On August 25, 2010, Ganas, LLC ("Ganas") filed a complaint against twenty-three defendants, including TiVo Inc., Sabre Holdings Corporation, DIRECTV, DISH DBS Corporation, The Charles Schwab Corporation, E*Trade Securities, LLC, Hewlett-Packard Corporation, Adobe Systems Incorporated, and others in the United States District Court for the Eastern District of Texas for infringement of the following four patents: U.S. Patent Nos. 7,136,913 ("Object oriented communication among platform independent systems across a firewall over the internet using HTTP-SOAP"); 7,325,053 ("Object oriented communication among platform-independent systems over networks using SOAP"); 7,734,756 ("Object oriented communication among platform independent systems over networks using SOAP"); and 7,007,094 ("Object oriented communications system over the internet"). The complaint seeks, among other things, damages for past infringement and a permanent injunction. On October 19, TiVo filed its answer to the Ganas complaint. The Company intends to defend this action vigorously; however, the Company is incurring expenses in connection with this lawsuit, which could become material in the future, and in the event there is an adverse outcome, the Company's business could be harmed. No loss is considered probable or estimable at this time.

On November 9, 2010, Olympic Developments AG, LLC ("Olympic") sued TiVo and 10 other companies alleging infringement of U.S. Patent Nos. 5,475,585 ("Transactional Processing System") and 6,246,400 ("Device for controlling Remote Interactive Receiver"). On November 18, 2010, Olympic filed its First Amended Complaint for Patent Infringement, adding DirecTV, Inc. as a defendant. The complaint alleges that Olympic is the exclusive licensee with respect to the Defendants of the patents allegedly infringed. The complaint alleges that TiVo has infringed, "requires and/or directs" users to infringe, and has contributed to the infringement of one of more of the claims of the '400 patent.

The '400 patent has expired. The Company intends to defend itself vigorously in this matter. The Company may incur expenses in connection with this litigation that may become material in the future

30

and in the event there is an adverse outcome, the Company's business could be harmed. No loss is considered probable or estimable at this time.

On November 10, 2010, Guardian Media Technologies sued TiVo and 35 other companies alleging infringement of U.S. Patent No. 4,930,158 ("Selective Video Playing System") and 4,930,160 ("Automatic Censorship of Video Programs"). The complaint alleges that Guardian Media Technologies is the owner by assignment of the patents allegedly infringed. The complaint further alleges that prior to the expiration of the patents in 2007, TiVo had infringed, contributorily infringed and/or actively induced infringement of the '158 patent and '160 patent by making, having made, installing, using, importing, providing, supplying, distributing, selling and/or offering for sale products and/or systems that infringed or, when used, infringed one or more claims of the patent. The complaint alleges that TiVo's infringement was willful. The Company intends to defend itself vigorously in this matter. Guardian had previously sued TiVo and more than 30 other companies on the same patents in late 2008 in the U.S. District Court for the Central District of California. In June 2009, the California court dismissed Guardian's complaint against TiVo and other defendants. Guardian subsequently re-filed its complaint against TiVo in California, but then Guardian voluntarily dismissed the California complaint in late 2009. The Company may incur expenses in connection with this litigation that may become material in the future. No loss is considered probable or estimable at this time.

On December 20, 2010, Multimedia Patent Trust ("MPT") sued TiVo and 6 other companies alleging infringement of U.S. Patent Nos. 4,958,226 ("Conditional Motion Compensated Interpolation of Digital Motion Video"); 5,136,377 ("Adaptive Non-Linear Quantizer"); 5,500,678 ("Optimized Scanning of Transform Coefficients in Video Coding") and 5,227,878 ("Adaptive Coding and Decoding of Frames and Fields of Video"). On March 2, 2011, TiVo entered into a patent license agreement with MPT settling the pending litigation.

Securities Litigation. The Company and certain of its officers and directors ("TiVo defendants") were originally named as defendants in a consolidated securities class action lawsuit filed in the United States District Court for the Southern District of New York. This action, which is captioned *Werberger v. TiVo et al.*, also names several of the underwriters involved in the Company's initial public offering ("IPO") as defendants. This class action is brought on behalf of a purported class of purchasers of the Company's common stock from the time of the Company's IPO (October 31, 1999) through December 6, 2000. The central allegation in this action is that the underwriters in the Company's IPO solicited and received undisclosed commissions from, and entered into undisclosed arrangements with, certain investors who purchased the Company's stock in the IPO and the after-market, and that the TiVo defendants violated the federal securities laws by failing to disclose in the IPO prospectus that the underwriters had engaged in these allegedly undisclosed arrangements. More than 300 issuers have been named in similar lawsuits. In February 2003, after the issuer defendants (including the TiVo defendants) filed an omnibus motion to dismiss, the Court dismissed the Section 10(b) claim as to the Company, but denied the motion to dismiss the Section 11 claim as to the Company and virtually all of the other issuer-defendants. On October 8, 2002, the Company's executive officers who were named as defendants in this action were dismissed without prejudice.

On June 26, 2003, the plaintiffs in the suit announced a proposed settlement with the Company and the other issuer defendants. This proposed settlement was terminated on June 25, 2007, following the ruling by the United States Court of Appeals for the Second Circuit on December 5, 2006, reversing the District Court's granting of class certification in the six focus cases currently being litigated in this proceeding. The proposed settlement had provided that the insurers of all settling issuers would guarantee that the plaintiffs recover \$1 billion from non-settling defendants, including the investment banks who acted as underwriters in those offerings. The maximum amount that could be charged to the Company's insurance policy under the proposed settlement in the event that the plaintiffs recovered nothing from the investment banks would have been approximately \$3.9 million.

On August 14, 2007, the plaintiffs filed Amended Master Allegations. On September 27, 2007, the Plaintiffs filed a Motion for Class Certification, which was subsequently withdrawn without prejudice by the plaintiffs. Defendants filed a Motion to Dismiss the focus cases on November 9, 2007. On March 26, 2008, the Court ruled on the Motion to Dismiss, holding that the plaintiffs had adequately pleaded their Section 10(b) claims against the Issuer Defendants and the Underwriter Defendants in the focus cases. As to the Section 11 claim, the Court dismissed the claims brought by those plaintiffs who sold their securities for a price in excess of the initial offering price, on the grounds that they could not show cognizable damages, and by those who purchased outside the previously certified class period, on the grounds that those claims were time barred. This ruling, while not binding on the Company's case, provides guidance

to all of the parties involved in this litigation. On April 2, 2009, the parties lodged with the Court a motion for preliminary approval of a proposed settlement between all parties to the consolidated action,

31

including the Company and its former officers and directors, as well as numerous other companies and their officers and directors. The proposed settlement provides the plaintiffs with \$586 million in recoveries from all defendants, with \$100 million being paid on behalf of the Issuer Defendants and their officers and directors by the Issuers' insurers. Accordingly, any direct financial impact of the proposed settlement is expected to be borne by the Company's insurers. The proposed settlement also provides for full releases for the defendants, including the Company and its former officers and directors. On June 12, 2009, the Federal District Court granted preliminary approval of the proposed settlement. On September 10, 2009, the Federal District Court held the fairness hearing for final approval of the settlement. On October 6, 2009, the District Court issued an order granting class certification and final approval of the settlement. Several individuals or groups of individuals have filed petitions to appeal and/or notices of appeal with the United States Court of Appeals for the Second Circuit. The Second Circuit Court of Appeals has not yet addressed any of the pending petitions to appeal or notices of appeal. Therefore, the District Court's order granting class certification and final approval of the settlement may still be subject to appellate review by the Second Circuit Court of Appeals. There can be no assurance that the District Court's approval will not be overturned by the Second Circuit Court of Appeals. The Company may incur expenses in connection with this litigation that may become material in the future. No loss is considered probable or estimable at this time.

On October 3, 2007, Vanessa Simmonds filed a complaint against the Company's former lead underwriters Credit Suisse Group and Bank of America ("Lead Underwriters"), with the Company named as a nominal defendant, in the U.S. District Court for the Western District of Washington alleging violations of Section 16(b) in connection with the Company's initial public offering and associated transactions in the Company's stock in the six month period following the Company's initial public offering by the Company's Lead Underwriters. On or about December 3, 2007, Ms. Simmonds delivered a copy of the complaint to the Company. The complaint is directed solely at the initial public offering underwriters, not at the Company, and does not seek any damages or recovery from the Company. On February 25, 2008, the plaintiff filed an amended complaint which is substantially similar to the initial complaint and continues to name the Company only as a nominal defendant, but which also names Credit Suisse Securities (USA), Bank of America Corporation, and Robertson Stephens, Inc. as defendants. Ms. Simmonds filed similar actions in the same Court against various underwriters with respect to the initial public offerings of fifty-three other issuers. The fifty-four actions were coordinated by the Court. On July 25, 2008, thirty of the issuers, including the Company (collectively, the "Moving Issuers"), in the coordinated proceeding filed a Joint Motion to Dismiss. Also on July 25, 2008, all of the underwriter defendants in the coordinated proceeding filed an Omnibus Motion to Dismiss. The hearing on the motions to dismiss was held on January 16, 2009. On March 12, 2009, the Court granted both the Moving Issuers' Joint Motion to Dismiss and the Underwriters' Omnibus Motion to Dismiss. The Court held that the plaintiff's demand letters to the Moving Issuers were legally insufficient and therefore the plaintiff lacked standing to maintain the thirty Section 16(b) suits relating to the Moving Issuers. Accordingly, the Court granted without prejudice the Moving Issuers' Joint Motion to Dismiss, and further held that it would not permit the plaintiff to amend her demand letters. In regard to the Underwriters' Omnibus Motion to Dismiss, the Court held that the remaining twenty-four Section 16(b) suits were barred by the statute of limitations, and accordingly granted with prejudice the Omnibus Motion to Dismiss as to those suits. On March 31, 2009, plaintiff filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit of the District Court's dismissal of these fifty-four actions. On April 14, 2009, the underwriter defendants filed a notice of cross-appeal of that portion of the District Court's order dismissing without prejudice the thirty Section 16(b) suits relating to the Moving Issuers, on the grounds that such dismissal should be with prejudice. The hearing on plaintiff's appeal and the underwriter defendants' cross appeal was held before the Ninth Circuit Court of Appeals on October 5, 2010.

On December 2, 2010, the Ninth Circuit Court of Appeals issued its ruling on plaintiff's appeal and the underwriter defendants' cross appeal. In its ruling, the Court of Appeals affirmed the District Court's conclusion that the plaintiff's demand letters to the thirty Moving Issuers (including the Company) were legally insufficient. In addition, the Court of Appeals vacated the District Court's dismissal orders as to the actions brought against the Moving Issuers, with instructions that the District Court dismiss those thirty actions with prejudice. With respect to the underwriter defendants' cross appeal, the Court of Appeals reversed the District Court's conclusion that the remaining twenty-four actions were barred by the statute of limitations, and remanded those twenty-four actions with instructions for the District Court to allow the underwriter defendants and remaining issuers to file a motion challenging the sufficiency of the plaintiff's demand letters under applicable law.

On December 16, 2010, plaintiff filed a petition with the Ninth Circuit Court of Appeals for rehearing en banc of the Court's December 2, 2010 ruling, and the underwriter defendants filed a petition for panel rehearing or rehearing en banc. On January 18, 2011, the Ninth Circuit Court of Appeals issued an Order and Amended Opinion, in which the Court denied the petitions for rehearing. Subsequently, plaintiff and the underwriter

defendants respectively filed motions with the Ninth Circuit Court of Appeals for a stay of the mandate, pending the filing of a petition for writ of certiorari in the United States Supreme Court. The Ninth Circuit Court of Appeals granted these motions by orders dated January 25 and January 26, 2011, and stayed the mandate for ninety days, pending the filing by plaintiff and the underwriter defendants of their respective petitions for writ of certiorari in the United States Supreme Court. The appeal and cross appeal may be subject to further proceedings, including a petition for writ of certiorari in the United States Supreme Court, and related proceedings. The Company may incur expenses in connection with this litigation that may become material in the future and in the event there is an adverse outcome, the Company's business could be harmed. No loss is considered probable or estimable at this time.

From time to time, the Company is involved in numerous lawsuits as well as subject to various legal proceedings, claims, threats of litigation, and investigations in the ordinary course of business, including claims of alleged infringement of third-party patents and other intellectual property rights, commercial, employment and other matters. The Company assesses potential liabilities in connection with each lawsuit and threatened lawsuits and accrues an estimated loss for these loss contingencies if both of the following conditions are met: information available prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. While certain matters to which the Company is a party specify the damages claimed, such claims may not represent reasonably possible losses. Given the inherent uncertainties of the litigation, the ultimate outcome of these matters cannot be predicted at this time, nor can the amount of possible loss or range of loss, if any, be reasonably estimated. As of January 31, 2011, the Company has not accrued any liability for any lawsuits filed against the Company, as the Company has neither determined that it is probable that a liability has been incurred at the date of the financial statements nor that the amount of any loss can be reasonably estimated. The Company expenses legal costs as they are incurred.

Facilities Leases

The Company leases its corporate headquarters, located in Alviso, California, comprising a total of 177,254 square feet of office space. The corporate headquarters houses our administrative, sales and marketing, customer service, and product development activities, under a lease that expires on January 31, 2017. The Company also has operating leases for sales and administrative office space in New York City, New York and Chicago, Illinois. The leases generally provide for base monthly payments with built-in base rent escalations periodically throughout the lease term. All the Company's property leases are deemed operating leases.

Rent expense is recognized using the straight-line method over the lease term and for fiscal years ended January 31, 2011, 2010, and 2009 was \$2.2 million, \$2.3 million, and \$2.3 million, respectively. Operating lease cash payments for the fiscal years ended January 31, 2011, 2010, and 2009 were \$3.4 million, \$3.5 million, and \$3.0 million, respectively. Future minimum operating lease payments as of January 31, 2011, are as follows:

Fiscal Year Ending January 31,	Lease Payments (In thousands)
2012	\$2,518
2013	2,661
2014	2,746
2015	2,858
2016	2,762
Thereafter	2,716
Total	\$16,261

11. EQUITY INCENTIVE PLANS

1999 Equity Incentive Plan

In April 1999, the Company's stockholders approved the 1999 Equity Incentive Plan (the 1999 Plan).

Amendments to the 1999 Plan were adopted in July 1999. The 1999 Plan permits the granting of incentive stock options, non-statutory stock options, non-vested stock awards (also known as restricted stock), stock appreciation rights, performance-based awards, and stock purchase rights. The 1999 Plan allows the grant of options to purchase shares of the Company's common stock to employees and other individuals at a price equal to the fair market value of the common stock at the date of grant. The options granted to new employees typically vest 25% after the first year of service, and the remaining 75% vest monthly over the next 36 months. The vesting period for options granted to continuing employees may vary, but typically vest monthly over a 48 month period. Options expire 10 years after the grant date, based on continued service. If the optionee's service terminates, options expire 90 days from the date of termination except under certain circumstances such as death or disability. The terms of the 1999 Plan allow individuals to early exercise options granted prior to August 8, 2001 from the date of grant, prior to full vesting. For options granted subsequent to August 8, 2001, options are exercisable only as the options vest. In the event that the individual terminates his or her service to the Company before becoming fully vested, the Company has the right to repurchase any exercised, unvested shares at the original option price. As of January 31, 2008, the number of shares authorized for option grants under the 1999 Plan was 52,384,204. As of January 31, 2011, all unissued shares under the 1999 Equity Incentive Plan have expired and no stock-based awards will be granted from the 1999 Plan in the future. Any awards granted under the 1999 plan that are canceled after August 6, 2008 become available for grant under the 2008 Plan.

1999 Non-Employee Directors' Stock Option Plan

In July 1999, the Company adopted the 1999 Non-Employee Directors' Stock Option Plan ("the Directors' Plan"). The Directors' Plan provides for the automatic grant of options to purchase shares of the Company's common stock to non-employee directors at a price equal to the fair market value of the stock at the date of the grant. Initial options granted to new directors vest monthly over two years from the date of grant. Annual options granted to existing directors vest upon grant. The option term is ten years after the grant date, based on continued director service. If the director's service terminates, options expire 90 days from the date the director's service terminated. The number of shares authorized for option grants under the Directors' Plan is 1,400,000, subject to an annual increase of 100,000 shares. As of January 31, 2011 all unissued shares under 1999 Non-Employee Directors' Stock Plan have expired.

1999 Employee Stock Purchase Plan

In July 1999, the Company adopted the 1999 Employee Stock Purchase Plan ("the Employee Stock Purchase Plan"). The Employee Stock Purchase Plan provides a means for employees to purchase TiVo common stock through payroll deductions of up to 15% of their base compensation. The Company offers the common stock purchase rights to eligible employees, generally all full-time employees who have been employed for at least 10 days. This plan allows for common stock purchase rights to be granted to employees of TiVo at a price equal to the lower of 85% of the fair market value on the first day of the offering period or on the common stock purchase date. This plan incorporates up to a one-year look back feature in its provisions which resets the offering price during the one-year look back period if the Company's common stock purchase price on the purchase date is lower than its price on the commencement of the offering. Each offering consists of up to two purchase periods. The purchase periods are generally six months in length and begin January 1 and July 1 of each year. Under the Employee Stock Purchase Plan, the Board may, in the future, specify offerings up to 27 months. As of January 31, 2011, the total number of shares reserved for issuance under this plan is 8,500,000. As of January 31, 2011, 2,783,141 shares remain available for future purchases.

2008 Equity Incentive Award Plan

In August 2008, the Company's stockholders approved the 2008 Equity Incentive Award Plan ("the 2008 Plan"). The 2008 Plan permits the granting of stock options, non-vested stock awards (also known as restricted stock), stock appreciation rights, performance share awards, performance stock-unit awards, dividend equivalents awards, stock payment awards, deferred stock awards, performance bonus awards, and performance-based awards. The 2008 Plan allows the grant of options to purchase shares of the Company's common stock to employees and other individuals at a price equal to the fair market value of the common stock at the date of grant. The options granted to new employees typically vest 25% after the first year of service, and the remaining 75% vest monthly over the next 36 months. The vesting period for options granted to continuing employees may vary, but typically vest monthly over a 48 month period. Options expire 7 years after the grant date, based on continued service. If the optionee's service terminates, options expire 90 days from the date of termination except under certain circumstances such as death or disability. The number of shares authorized for option grants under the 2008 Plan is 10,388,134. Any awards granted under the 1999

plan that are canceled after August 6, 2008 become available for grant under the 2008 Equity Incentive Award Plan. Any grants of restricted stock awards will reduce shares available for grant at a 1.5:1 ratio. As of January 31, 2011, 5,239,335 shares remain available for future stock based award grants.

Edgar Filing: TIVO INC - Form 10-K/A

In the event of a change in control of the Company and subsequent termination of certain employees, 25% to 100% of unvested awards would be subject to acceleration as of the date of such termination.

Stock Options Activity

A summary of the stock options activity and related information for the twelve months ended January 31, 2011, 2010, and 2009 is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(in thousands)			(in thousands)
Outstanding at January 31, 2008	22,062	\$6.91	6.76	\$54,245
Grants	2,258	8.65		
Exercises	(1,774)	) 5.21		
Forfeitures or expirations	(1,479)	) 7.17		
Outstanding at January 31, 2009	21,067	\$7.22	6.23	\$18,453
Grants	403	9.71		
Exercises	(6,195)	) 6.13		
Forfeitures or expirations	(356)	) 8.50		
Outstanding at January 31, 2010	14,919	\$7.71	5.60	\$31,216
Grants	3,144	8.23		
Exercises	(4,319)	) 7.05		
Forfeitures or expirations	(1,076)	) 18.06		
Outstanding at January 31, 2011	12,668	\$7.19	5.54	\$32,453

The aggregate intrinsic value in the preceding table is based on options with an exercise price less than the Company's closing stock price of \$9.67 as of January 31, 2011, which would have been received by the option holders had those option holders exercised their options as of that date. Total intrinsic value of options exercised was \$35.6 million, \$22.4 million, and \$5.3 million for the twelve months ended January 31, 2011, 2010, and 2009, respectively.

The following table summarizes information about options outstanding at January 31, 2011:

Range of Exercise Prices	Options Outstanding				Exercisable Options		
		Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Prices	
\$ 2.67 - \$ 5.97	704,555	3.71	\$4.46	682,243	\$4.42		
\$ 5.98 - \$ 6.18	2,772,969	6.01	\$6.18	2,014,839	\$6.17		
\$ 6.23 - \$ 6.51	613,444	4.73	\$6.46	609,372	\$6.46		
\$ 6.52 - \$ 6.52	2,000,834	4.41	\$6.52	2,000,834	\$6.52		
\$ 6.53 - \$ 7.18	1,313,786	4.62	\$6.80	1,224,308	\$6.79		
\$ 7.22 - \$ 7.41	809,878	6.07	\$7.36	193,394	\$7.33		
\$ 7.49 - \$ 7.49	1,415,000	6.39	\$7.49	96,865	\$7.49		
\$ 7.50 - \$ 8.94	1,917,142	6.73	\$8.67	887,998	\$8.68		
\$ 8.95 - \$ 17.16	1,108,176	5.60	\$10.33	368,265	\$10.25		
\$ 18.17 - \$ 18.17	12,000	6.22	\$18.17	—	\$—		
Total	12,667,784	5.54	\$7.19	8,078,118	\$6.73		

Net cash proceeds from the exercise of stock options were \$30.5 million, \$38.0 million, and \$9.2 million for the twelve months ended January 31, 2011, 2010, and 2009, respectively. Information regarding stock options outstanding at January 31, 2011 is summarized as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(in thousands)			(in thousands)
Shares outstanding	12,668	\$7.19	5.54	\$32,453
Shares vested and expected to vest*	12,152	\$7.15	5.51	\$31,577
Shares exercisable	8,078	\$6.73	5.04	\$23,978

* Options outstanding that are expected to vest are net of estimated future option forfeitures

Restricted Stock Awards (RSAs) / Restricted Stock Units (RSUs)

The Company had 4,650,000 RSAs and RSUs outstanding as of January 31, 2011, which were excluded from the options outstanding balances in the preceding tables. The grant of these RSAs and RSUs has been deducted from the shares available for grant under the Company's stock option plans. The total aggregate grant date fair value was \$46.6 million. Aggregate intrinsic value of RSAs and RSUs at January 31, 2011 was \$45.0 million based on the Company's closing stock price on January 31, 2011. The total fair value of RSAs and RSUs vested was \$8.2 million, \$6.5 million, and \$2.4 million for the twelve months ended January 31, 2011, 2010, and 2009, respectively.

The following table summarizes the activities for the Company's unvested RSAs and RSUs for the three years ended January 31, 2011, 2010, and 2009:

	Number of Shares	Weighted-Average Grant Date Fair Value
	(in thousands)	
Unvested stock at January 31, 2008	912	\$6.35
Granted	1,275	\$8.86
Vested	(336)	) \$7.06
Forfeited	(126)	) \$8.69
Unvested stock at January 31, 2009	1,725	\$7.89
Granted	3,938	\$7.53
Vested	(921)	) \$7.05
Forfeited	(275)	) \$7.51
Unvested stock at January 31, 2010	4,467	\$7.77
Granted	1,417	\$15.76
Vested	(1,005)	) \$8.15
Forfeited	(229)	) \$9.63
Unvested stock at January 31, 2011	4,650	\$10.03

Market-Based Awards

In fiscal year 2010, the Company awarded 300,000 shares of restricted stock to the Company's Chief Executive Officer that would vest over a five-year period. The vesting conditions of these awards are tied to the market value of our common stock. The fair value of these 300,000 shares of performance-based restricted stock units was estimated using Monte Carlo analysis. Total compensation cost recognized related to these performance-based awards was approximately \$398,000 and \$586,000 for the fiscal year ended January 31, 2011 and 2010, respectively. As of January 31, 2011, \$485,000 of total unrecognized compensation cost related to these awards is expected to be recognized over the remaining vesting period of 3.00 years.

Performance-Based Stock Options Grants

In fiscal 2011, the Company granted 640,000 options with performance-based vesting to certain executive officers. These options would vest only if specific performance goals set forth for each optionee are achieved. Each quarterly period, the Company estimates the probability of the achievement of these performance goals and

recognizes any related stock-based compensation expense. If such performance goals are not probable of achieving, no compensation expense is recognized. The estimated fair value of these performance-based stock options was \$2.4 million using the Black-Scholes option pricing model. No compensation cost related to these performance-based stock options was recognized for the fiscal year ended January 31, 2011. The remaining weighted-average period over which these performance-based stock options may vest is 4.04 years.

12. RETIREMENT PLANS

In December 1997, the Company established a 401(k) Retirement Plan (“the Retirement Plan”) available to employees who meet the plan’s eligibility requirements. Participants may elect to contribute a percentage of their compensation to the Retirement Plan up to a statutory limit. Participants are fully vested in their contributions. The Company may make discretionary contributions to the Retirement Plan as a percentage of participant contributions, subject to established limits. The Company has not made any contributions to the Retirement Plan from inception through January 31, 2011.

13. ADOPTION OF STOCKHOLDER RIGHTS PLAN

On January 9, 2001, TiVo’s Board of Directors declared a dividend distribution of one Preferred Share Purchase Right (“Right”) on each outstanding share of TiVo common stock outstanding at the close of business on January 1, 2001 (“the Rights Plan”). Subject to limited exceptions, the Rights will be exercisable if a person or group acquires 15% or more of the Company’s common stock or announces a tender offer for 15% or more of the common stock. On January 26, 2010, TiVo amended the Rights Plan for the third time to add the defined term “Designated Holder” for the purpose of providing a limited exemption to BlackRock Inc. and its subsidiaries and affiliates (“BlackRock”) from the definition of “Acquiring Person” under the Rights Plan. This limited exemption permits BlackRock to become the beneficial owner of up to 16.99% of the common stock of TiVo then outstanding without becoming an Acquiring Person (as defined in the Rights Plan) rather than the 14.99% threshold otherwise applicable. BlackRock will be deemed a Designated Holder until the earliest of (a) such time as BlackRock ceases to beneficially own 10% or more of the common stock of TiVo, (b) BlackRock Inc. or any parent entity is subject to a change of control or (c) BlackRock reports or is required to report on Schedule 13D (or any successor or comparable report) its beneficial ownership of common stock of TiVo. On March 23, 2010, TiVo amended the Rights Plan for the fourth time to update the definitions of “Beneficial Ownership” and “Acquiring Person” so that the definitions of these terms more closely track current investor activities in United States securities markets. On December 16, 2010, TiVo amended the Rights Plan a fifth time to extend the expiration date of the Rights Plan from January 9, 2011 to the close of business on the date that is six months after the date that a final, non-appealable order or judgment is entered in connection with the Company's litigation with EchoStar Communications Corporation which fully resolves all outstanding material issues and any judgment(s) that may be executed thereon.

Under certain circumstances, each Right will entitle stockholders to buy one one-hundredth of a share of newly created Series B Junior Participating Preferred Stock of TiVo at an exercise price of \$60.00 per Right, subject to adjustments under certain circumstances. The rights are not exercisable as of the date of this filing. The TiVo Board will be entitled to redeem the Rights at \$.01 per Right at any time before a person has become an Acquiring Person. The Rights are intended to enable all TiVo stockholders to realize the long-term value of their investment in the Company. They do not prevent a takeover, but should encourage anyone seeking to acquire TiVo to negotiate with the Board of Directors prior to attempting a takeover.

The Rights were not being distributed in response to any specific effort to acquire control of TiVo. The Rights are designed to assure that all TiVo stockholders receive fair and equal treatment in the event of any proposed takeover of TiVo and to guard against partial tender offers, open market accumulations and other abusive tactics to gain control of TiVo without paying all stockholders a control premium.

If a person becomes an Acquiring Person, each Right will entitle its holder to purchase, at the Right’s then-current exercise price, a number of common shares of TiVo having a market value at that time of twice the Right’s exercise price. Rights held by the Acquiring Person will become void and will not be exercisable to purchase shares at the bargain purchase price. If TiVo is acquired in a merger or other business combination transaction which has not been approved by the Board of Directors, each Right will entitle its holder to purchase, at the Right’s then-current exercise price, a number of the acquiring company’s common shares having a market value at that time of twice the Right’s

exercise price.

The dividend distribution to establish the new Rights Plan was paid to stockholders of record on January 31, 2001. The Rights distribution is not taxable to stockholders.

37

14. STOCK-BASED COMPENSATION

Total stock-based compensation for the twelve months ended January 31, 2011, 2010, and 2009, respectively is as follows:

	Fiscal Year Ended January 31,		
	2011	2010	2009
	(In thousands)		
Cost of service revenues	\$792	\$1,098	\$903
Cost of technology revenues	2,260	2,319	2,071
Research and development	8,531	8,604	8,805
Sales and marketing	3,683	2,567	2,089
General and administrative	10,176	10,766	9,552
Deferred cost of technology revenues	287	—	—
Stock-based compensation before income taxes	\$25,729	\$25,354	\$23,420
Income tax benefit	—	—	—
Total stock-based compensation	\$25,729	\$25,354	\$23,420

No income tax benefit was realized from stock option exercises during the twelve months ended January 31, 2011, 2010, and 2009, respectively. The Company presents excess tax benefits from the exercise of stock options, if any, as financing cash flows rather than operating cash flows.

As of January 31, 2011, \$13.6 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 2.79 years. As of January 31, 2011, \$28.8 million of total unrecognized compensation costs related to unvested restricted stock is expected to be recognized over a weighted-average period of 2.44 years.

The Company used the alternative transition method which included a simplified method to establish the beginning balance of the additional paid in capital pool (“the APIC pool”) related to the tax effects of employee share-based compensation, which is available to absorb tax deficiencies recognized subsequent to stock option expensing.

The Company is required to use a valuation model to calculate the fair value of stock-based awards and has elected to use the Black-Scholes option-pricing model, which incorporates various assumptions including volatility, expected life, and interest rate. The expected volatility is based on a combination of historical volatility of the Company’s common stock and implied volatility of market traded options on the Company’s common stock. The expected life of stock options granted after January 1, 2008 is based on historical employee exercise patterns associated with prior similar option grants. The interest rate is based on the average of the U.S. Treasury yield curve on investments with terms approximating the expected life during the fiscal quarter an option is granted. The Company has not and has no current plan to declare a dividend.

The assumptions used for the twelve months ended January 31, 2011, 2010, and 2009, respectively, and the resulting estimates of weighted-average fair value per share of options and ESPP shares granted during those periods are as follows:

	ESPP			Stock Options			
	Fiscal Year Ended January 31,			Fiscal Year Ended January 31,			
	2011	2010	2009	2011	2010	2009	
Expected life (in years)	0.74	0.70	0.57	4.59	4.42	5.37	
Volatility	66	% 93	% 77	% 62	% 69	% 74	%
Average risk free interest rate	0.34	% 1.52	% 2.02	% 2.30	% 2.02	% 3.30	%
Dividend Yield	—	% —	% —	% —	% —	% —	%
Weighted-average fair value during the period	\$3.11	\$3.25	\$2.80	\$4.29	\$5.30	\$5.58	

15. COMPREHENSIVE INCOME (LOSS)

Edgar Filing: TIVO INC - Form 10-K/A

The components of comprehensive income (loss) are as follows:

	Fiscal Year ended January 31,		
	2011	2010	2009
	(In thousands)		
Net income (loss)	\$(84,512)	\$(23,036)	\$104,111)
Other comprehensive income (loss):			
Unrealized gain (loss) on marketable securities	203	409	(1,035)
Comprehensive income (loss)	\$(84,309)	\$(22,627)	\$103,076)

16. INCOME TAXES

Income tax (benefit) provision was \$164,000, \$(1.0) million, and \$1.3 million, in fiscal years 2011, 2010, and 2009, respectively. The income tax expense in fiscal year 2011 is primarily due to state income taxes and withholding taxes in foreign jurisdictions. The income tax benefit in fiscal year 2010 is due to a refund of previously paid Alternative Minimum Tax ("AMT") and refundable research credits. The income tax expense in fiscal year 2009 relates to federal AMT, state income taxes, and foreign withholding taxes.

	Fiscal Year Ended January 31,		
	2011	2010	2009
Current Expense			
Federal	\$—	\$(1,136)	\$595
State	51	91	714
Foreign	113	21	19
Total	\$164	\$(1,024)	\$1,328

The income tax (benefit) expense differed from the amounts computed by applying the U.S. federal income tax rate of 35% to pretax loss as a result of the following:

	Fiscal Year Ended January 31,		
	2011	2010	2009
	(in thousands)		
Federal tax at statutory rate	\$(29,522)	\$(8,421)	\$(36,904)
State taxes	51	91	219
Foreign withholding tax	113	21	19
Utilization of net operating losses	—	—	(21,507)
Net operating loss and temporary differences for which no tax benefit was realized	26,260	8,705	(18,264)
Stock based compensation	(91)	(1,905)	2,367
Refundable research tax credits	—	(288)	(229)
Federal and state alternative minimum taxes	—	(827)	1,193
Non-deductible compensation expense	3,305	1,542	420
Non-deductible expenses and other	48	58	206
Total tax expense	\$164	\$(1,024)	\$(72,480)

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets are presented below:

	Fiscal Year Ended January 31,	
	2011	2010
Deferred tax assets:	(in thousands)	
Net operating loss carryforwards	\$177,546	\$155,353
Research and alternative minimum tax credits	22,081	15,418
Deferred revenue and rent	13,532	13,291
Capitalized research	19,714	26,478
Stock based compensation	12,473	11,686
Other	12,224	10,915
Total deferred tax assets	257,570	233,141
Valuation allowance	(257,570)	(233,141)
Net deferred tax assets:	\$—	\$—

Realization of deferred tax assets is dependent upon generation of sufficient future taxable income, the timing and amount of which are uncertain. Accordingly, Management has established a valuation allowance for the portion of deferred tax assets for which realization is uncertain. The net change in the total valuation allowance was an increase of \$24.4 million and \$10.1 million for the years ended January 31, 2011 and January 31, 2010, respectively.

As of January 31, 2011, the Company had net operating loss carryforwards for federal and state income tax purposes of approximately \$572.2 million and \$325.1 million respectively, available to reduce future income subject to income taxes. Of these amounts, approximately \$54.9 million represent federal and state tax deductions from stock option compensation. The tax benefit from these deductions will be recorded as an adjustment to additional paid-in capital in the year in which the benefit is realized.

Federal and state laws impose restrictions on the utilization of net operating loss and tax credit carryforwards in the event of an “ownership change,” as defined in Section 382 of the Internal Revenue Code. The Company has determined that there have been multiple ownership changes since inception of the Company. However, the ownership changes, do not place any limitation on the utilization of net operating losses and tax credit carryforwards.

The federal net operating loss carryforwards expire beginning in fiscal year ending 2019 through 2031. The state net operating loss carryforwards expire beginning in fiscal year 2012 through 2031. As of January 31, 2011, unused research and development tax credits of approximately \$15.2 million and \$19.9 million, respectively, are available to reduce future federal and California income taxes. The federal research credit carryforwards will begin to expire, if not utilized, by fiscal 2020. California research and experimental tax credits carry forward indefinitely until utilized. On December 17, 2010, President Obama signed into legislation, The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 which retroactively reinstated the research credit for amounts paid or incurred from January 1, 2010 through December 31, 2011. Prior to enactment of this legislation, the federal research credit had expired for amounts paid or incurred after December 31, 2009. The Company has generated federal research credits of approximately \$5.0 million for fiscal year ended January 31, 2011.

On November 6, 2009, President Obama signed into legislation, the Worker, Business assistance Act (“HR 3548”), which allows companies a five year net operating loss carryback instead of a normal two year loss carryback, for losses generated either in tax year 2008 or 2009 to offset taxes paid in those preceding years, including alternative minimum taxes paid. The Company elected to carryback its tax year 2009 losses and claim a cash refund for the alternative minimum taxes paid in tax year 2008 of approximately \$800,000.

On February 17, 2009, President Obama signed into legislation, the American Recovery and Reinvestment Act of 2009, which allows corporations without current tax liabilities to obtain refunds for certain research tax credit and alternative minimum tax credit carry forwards by electing to forego the 50% additional first year depreciation for new property acquired after March 31, 2008 and placed in service before January 1, 2010. This Act extended the provision of the Housing Assistance Tax Act of 2008 (“HR 3221”), which was set to expire for assets placed in service before January 1, 2009. The Company has elected to obtain refunds for its research and development tax credit for the years ended January 31, 2010 and January 31, 2009. The amount of benefit for refundable credits for fiscal years 2010 and 2009 were approximately \$400,000 and \$200,000, respectively.

On October 19, 2010, Governor Schwarzenegger signed into legislation, S.B. 858 which suspended net operating losses for tax years 2010 and 2011. This is in addition to Assembly Bill 1452, which was signed into

legislation on September 23, 2008 and suspended for two years the deduction for net operating losses (NOLS) on a California tax return. Accordingly, a deduction for net operating loss carryovers will not be allowed for the Company's tax years 2008 through 2011. Also, Assembly Bill 1452 places restrictions on the amount of allowable credit a company can utilize for the tax year 2008 and 2009. Under the new California legislation a taxpayer cannot use otherwise allowable credit to reduce below 50% its "net tax". Credits affected by this limitation include the research and development credits, the enterprise zone credits, and the low-income housing credit. SB 8585 does not include this credit limitation for tax years 2010 and 2011.

The Company adopted the provisions for accounting for uncertainty in income taxes as of February 1, 2007. At implementation, the Company had approximately \$7.5 million of unrecognized tax benefits, none of which would currently affect the Company's effective tax rate if recognized due to the Company's deferred tax assets being fully offset by a valuation allowance. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Fiscal Year Ended January 31,		
	2011	2010	2009
	(in thousands)		
Beginning Balance	\$7,345	\$9,572	7,960
Additions based on tax positions related to current year	2,609	2,163	1,212
Additions for tax positions in prior years	—	28	400
Reduction for tax positions of prior years	(1,209	) (4,418) —
Ending Balance	\$8,745	\$7,345	9,572

The total amount of unrecognized tax benefit, if recognized, that would affect the effective tax rate would be approximately \$231,000 at January 31, 2011. The remaining unrecognized tax benefits at January 31, 2011 would not affect the Company's effective tax rate if recognized due to the Company's deferred tax assets being fully offset by a valuation allowance. The Company does not expect that there will be a significant increase or decrease of the total amount unrecognized tax benefits within the next 12 month.

The Company classifies interest and penalties related to uncertain tax positions in income tax expense, if applicable. The Company accrued approximately \$13,000 of interest or penalties related to unrecognized tax benefits recorded through January 31, 2011.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. The open tax years for the major jurisdictions are as follows:

Federal 2007 – 2011

California 2006 – 2011

However, due to the fact the Company has net operating losses and credits carried forward in most jurisdictions, certain items attributable to technically closed years are still subject to adjustment by the relevant taxing authority through an adjustment to tax attributes carried forward to open years.

17. NET INCOME (LOSS) PER COMMON SHARE

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding, excluding unvested restricted stock.

The following table sets forth the computation of basic and diluted earnings per common share:

	Fiscal Year ended January 31,		
	2011	2010	2009
Numerator:			
Net income (loss)	\$(84,512)	\$(23,036)	\$104,111
Denominator:			
Weighted average shares outstanding, excluding unvested restricted stock	113,490	106,182	100,390
Weighted average effect of dilutive securities:			
Stock options and restricted stock	—	—	2,206
Denominator for diluted net income (loss) per common share	113,490	106,182	102,596
Basic net income (loss) per common share	\$(0.74)	\$(0.22)	\$1.04
Diluted net income (loss) per common share	\$(0.74)	\$(0.22)	\$1.01
The weighted average number of shares outstanding used in the computation of basic and diluted net loss in fiscal year 2011 and fiscal year 2010 per share does not include the effect of the following potentially outstanding common stock. The effects of these potentially outstanding shares were not included in the calculation of diluted net loss per share because the effect would have been anti-dilutive:			
	As of January 31,		
	2011	2010	2009
Unvested restricted stock	4,649,998	4,467,429	870,878
Options to purchase common stock	12,667,784	14,918,906	13,119,600
Potential shares to be issued from ESPP	82,543	46,922	—
Total	17,400,325	19,433,257	13,990,478

18. COMCAST AGREEMENT

On March 15, 2005, the Company entered into a non-exclusive licensing and marketing agreement with Comcast STB Software DVR, LLC (“Comcast STB”), a wholly-owned subsidiary of Comcast Corporation, and Comcast Corporation, as guarantor of Comcast STB’s obligations under the agreement. The agreement was subsequently amended several times, most recently on March 27, 2008. The Company agreed to develop a TiVo service software solution for deployment on Comcast’s DVR platforms. In addition, the Company agreed to develop a TiVo Interactive Advertising Management System for deployment on Comcast platforms to enable the provision of local and national advertising to Comcast subscribers.

Acceptance of the delivery of the TiVo service software solution by Comcast occurred on June 27, 2007 and the TiVo service has launched in its initial market. Comcast accepted the TiVo advertising management system on March 31, 2008. Our statements of work with Comcast provided for continued funding for engineering services for the development of additional releases of the TiVo-branded, TiVo-service enabling software for the Comcast DVR platforms and to enable such software on other Comcast DVR platforms and such funding terminated on December 31, 2010. Revenue from this additional engineering work is recognized using the percentage-of-completion method. During the twelve months ended January 31, 2011 and 2010, the Company recognized \$12.3 million and \$16.7 million, respectively in technology revenues and \$4.6 million and \$10.1 million, respectively in cost of technology revenues.

19. DEVELOPMENT AGREEMENT AND SERVICES AGREEMENT WITH DIRECTV INC.

On September 3, 2008, the Company extended its current agreement with DIRECTV for the development, marketing, and distribution of a new HD DIRECTV DVR featuring the TiVo[®] service. Under the terms of this non-exclusive arrangement, TiVo is developing a version of the TiVo service for DIRECTV’s broadband-enabled HD

DVR. TiVo is working with DIRECTV to deploy this product in the future. DIRECTV also has certain additional annual obligations to market and promote the new HD DIRECTV DVR featuring the TiVo Service once it has launched. DIRECTV, upon the deployment of high definition DIRECTV DVRs with TiVo service, is entitled to recoup, over time, a portion of certain development fees through a reduction in certain subscription fees. The new agreement also extends the mutual covenant not to sue with respect to each company's products and services throughout the term of the new agreement.

Under this new agreement, DIRECTV will pay a substantially higher monthly fee for households using the new high definition DIRECTV DVRs with TiVo (when and if the new version of the TiVo service is deployed) than the fees for previously deployed DIRECTV DVRs with TiVo service. DIRECTV will continue to pay the current monthly fee for all households using only the previously deployed DIRECTV DVRs with TiVo service. The fees paid by DIRECTV are subject to monthly minimum payments that escalate during the term of the agreement starting in 2010 and those minimum payments are substantially higher than in the prior agreement.

Due to uncertainties over the ultimate profit margin on the development work, the Company recognizes revenues and costs for the development of the TiVo service for DIRECTV's broadband-enabled HD DVR based on a zero profit model, which results in the recognition of equal amounts of revenues and costs not to exceed the amount that the Company has the contractual right to bill DIRECTV upon the meeting of certain milestones under TiVo's revenue recognition policies. During the twelve months ended January 31, 2011 and 2010, the Company recognized \$6.5 million and \$8.9 million in technology revenues and \$6.5 million and \$8.9 million in cost of technology revenues, respectively related to the development of the TiVo service for DIRECTV's broadband-enabled HD DVR.

In accordance with TiVo's revenue recognition policies, the Company has deferred costs of approximately \$3.7 million related to development work for DIRECTV. These costs are recorded on TiVo's consolidated balance sheets under deferred cost of technology revenues, current at January 31, 2011. These costs will be recognized when related revenues are recognized.

20. SUBSEQUENT EVENTS

On March 10, 2011, the Company issued convertible notes with the aggregate principal amount of \$150 million and received approximately \$145.1 million in proceeds. The notes will pay interest semi-annually at a rate of 4.00% per year and mature on March 15, 2016. TiVo has granted the initial purchaser of the notes an over-allotment option to purchase up to an additional \$22.5 million aggregate principal amount of notes exercisable at any time on or before April 7, 2011.

The notes will be convertible at any time, at the option of the holders, into shares of TiVo's common stock at an initial conversion rate of 89.6359 shares per \$1,000 principal amount of notes. At the initial conversion rate, the initial conversion price will be approximately \$11.16 per share. In addition, following certain corporate transactions that occur prior to the maturity date, TiVo will, in certain circumstances, increase the conversion rate for a holder that elects to convert its notes in connection with such a corporate transaction.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

(1) Consolidated Financial Statements: See Index to Consolidated Financial Statements at Item 8 on page 4 of this report.

(2) Financial Statement Schedule: The financial statement schedules are omitted as they are either not applicable or the information required is presented in the financial statements and notes thereto under Item 8. Financial Statements and Supplementary Data.

(3) Exhibits are incorporated herein by reference or are filed with this report as indicated below (numbered in accordance with Item 601 of Regulation S-K):

EXHIBIT NUMBER	DESCRIPTION
23.1	Consent of Independent Registered Public Accounting Firm (incorporated by reference to Exhibit 23.1 of the registrant's current report on Form 10-K filed on March 14, 2011).
31.1	Certification of Thomas S. Rogers, Chief Executive Officer of TiVo Inc. dated August 25, 2011 pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Anna Brunelle, Chief Financial Officer of TiVo Inc. dated August 25, 2011 pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Thomas S. Rogers, Chief Executive Officer of TiVo Inc. dated August 25, 2011 in accordance with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Anna Brunelle, Chief Financial Officer of TiVo Inc. dated August 25, 2011 in accordance with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
+	Confidential treatment granted as to portions of this exhibit.
++	Confidential treatment has been requested as to portions of this exhibit.
*	Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

TIVO INC.

Date: August 25, 2011

/S/ THOMAS S. ROGERS
Thomas S. Rogers
Chief Executive Officer